

**Rural Hospital Coalition, Inc. -
Telemedicine Statistics Grant Fund
Pride, Louisiana
December 31, 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/7/11

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June 24, 2011

Independent Auditor's Report

The Board of Directors
Rural Hospital Coalition, Inc. - Telemedicine Statistics Grant Fund
Pride, Louisiana

We have audited the accompanying statement of financial position of the

**Rural Hospital Coalition, Inc. -
Telemedicine Statistics Grant Fund
Baton Rouge, Louisiana**

as of December 31, 2010, and the related statements of activities and cash flows, for the period from inception (April 1, 2010) to December 31, 2010. These financial statements are the responsibility of Rural Hospital Coalition, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Rural Hospital Coalition, Inc. - Telemedicine Statistics Grant Fund are intended to present the financial position, changes in financial position and cash flows that are attributable to the transactions of the Fund. They do not purport to, and do not, present fairly the financial position of the Rural Hospital Coalition, Inc., as of December 31, 2010, and the changes in its net assets and its cash flows for the period from inception (April 1, 2010) to December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rural Hospital Coalition, Inc. - Telemedicine Statistics Grant Fund, as of December 31, 2010, and the changes in its net assets and its cash flows for the period from inception (April 1, 2010) to December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2011, on our consideration of the Rural Hospital Coalition, Inc. - Telemedicine Statistics Grant Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

**Rural Hospital Coalition, Inc. -
Telemedicine Statistics Grant Fund
Statement of Financial Position
December 31, 2010**

A s s e t s

Current Assets	
Cash	<u>\$20,751</u>
<u>Total assets</u>	<u>20,751</u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	2,375
Deferred revenue	<u>18,376</u>
	20,751
Net Assets	
Unrestricted	<u>-</u>
<u>Total liabilities and net assets</u>	<u>20,751</u>

The accompanying notes are an integral part of these statements.

**Rural Hospital Coalition, Inc. -
 Telemedicine Statistics Grant Fund
 Statement of Activities
 Period from April 1, 2010 (Date of Inception) to December 31, 2010**

<u>UNRESTRICTED</u>	
Support and Revenue	
Support:	
Grants - public	<u>\$10,789</u>
<u>Total support</u>	<u>10,789</u>
Expenses	
Consulting	6,375
Contract services	4,250
Postage	<u>164</u>
<u>Total expenses</u>	<u>10,789</u>
Change in Net Assets	-
Net Assets, Unrestricted	
Beginning of year	<u>-</u>
End of year	<u><u>-</u></u>

The accompanying notes are an integral part of these statements.

**Rural Hospital Coalition, Inc. -
 Telemedicine Statistics Grant Fund
 Statement of Cash Flows
 Period from April 1, 2010 (Date of Inception) to December 31, 2010**

Cash Flows From Operating Activities	
Change in Net Assets	\$ <u>—</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities	
Increase (Decrease) in liabilities	
Accounts payable	2,375
Deferred revenue	<u>18,376</u>
<u>Total adjustments</u>	<u>20,751</u>
<u>Net cash used by operating activities</u>	<u>20,751</u>
Net Increase (Decrease) in Cash and Cash Equivalents	20,751
Cash and Cash Equivalents, beginning of year	<u>—</u>
Cash and Cash Equivalents, end of year	<u>20,751</u>

The accompanying notes are an integral part of these statements.

Rural Hospital Coalition, Inc. - Telemedicine Statistics Grant Fund
Notes to Financial Statements
December 31, 2010

Note 1-Organization and Operations

A. Nature of Organization

Rural Hospital Coalition, Inc. – Telemedicine Statistics Grant Fund (referred to herein as “RHC -Telemedicine Grant”) is a restricted fund of Rural Hospital Coalition, Inc.(referred to herein as “RHC”), used to report activity related to the Telemedicine Statistics Grant received from the Department of Health and Hospitals. This fund is an integral part of the basic financial statements of RHC, and accordingly, is included in RHC’s financial statements.

B. Nature of Grant

The RHC - Telemedicine Grant will provide the Department of Health and Hospitals with monthly reporting on utilization, potential cost savings, and provide patient satisfaction data on the use of telemedicine to assist the Louisiana Medicaid program in implementing an expansion of the current telemedicine reimbursement policy.

The grant period is from April 1, 2010 to March 31, 2011. The total grant award was \$49,999, of which \$29,165 was received and \$10,789 was expended from April 1, 2010 to December 31, 2010.

Note 2-Significant Accounting Policies

A. Method of Accounting

The financial statements are presented using the accrual method of accounting. Accordingly, revenues are reported when earned and expenses are reported when incurred.

B. Cash and Cash Equivalents

For purposes of the statement of cash flows, RHC - Telemedicine Grant considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

C. Use of Estimates.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

D. Support and Revenue

Grants, which are considered exchange transactions, are recognized as revenue when allowable costs are incurred to provide the services provided for under the terms of the grant agreement. Advances under the grants are recorded as deferred income until such time as they can be recognized as revenue.

Rural Hospital Coalition, Inc. - Telemedicine Statistics Grant Fund
Notes to Financial Statements
December 31, 2010

Note 2-Significant Accounting Policies (Continued)

E. Contractors

Contractors perform all of the daily activities of RHC - Telemedicine Grant. Accordingly, no salaries, payroll taxes, fringe benefits, or occupancy expenses are reported, because these are the responsibility of the contractors. To the extent allowed by contract, contractor fees also include limited pass-through expenses.

F. Income Taxes

RHC - Telemedicine Grant is an integral part of the financial statements of RHC, which is exempt from income taxes under Internal Revenue Code 501(c)(6) and the Louisiana Revenue Code. RHC - Telemedicine Grant's activity is considered to be an activity related to RHC's exempt purpose and accordingly, no income taxes are reported.

RHC adopted the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. RHC recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs.

RHC has evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions. With few exceptions, RHC is no longer subject to federal, state, or local tax examinations by tax authorities for years before December 31, 2007.

G. Recent Accounting Pronouncements

The Coalition adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") as the single source of authoritative accounting principles generally accepted in the United States of America ("U.S. GAAP"). All guidance in the Codification carries an equal level of authority. After the effective date of the Codification, all nongrandfathered accounting literature not included in the Codification is superseded and deemed nonauthoritative. FASB will issue Accounting Standards Updates, which will serve to update FASB ASC, provide background information about the guidance and provide the basis for conclusions on the changes to FASB ASC. FASB ASC is not intended to change U.S. GAAP.

Note 3- Economic Dependency

RHC - Telemedicine Grant receives all of its revenue from funds provided by state grants. All funds received are state funds and are appropriated each year by the state government. If significant cuts are made at the state level, the amount of funds received by RHC - Telemedicine Grant could be reduced by an amount that could adversely impact its operations. Management is not aware of any actions that will adversely affect the amount of funds the Organization will receive in the next fiscal year.

Rural Hospital Coalition, Inc. - Telemedicine Statistics Grant Fund
Notes to Financial Statements
December 31, 2010

Note 4 – Contingencies – Grant Program

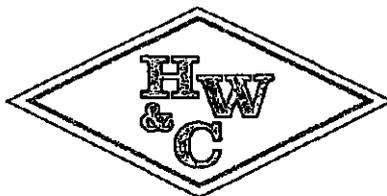
RHC - Telemedicine Grants participates in a state grant program which is governed by various rules and regulations. Costs charged to grant programs are subject to audit and adjustment by the grantor agency; therefore, to the extent that RHC - Telemedicine Grant has not complied with the rules and regulations governing the grants, refunds of any money received and the collectibility of any related receivable at year end may be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with rules and regulations governing the grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note 5-Subsequent Events

The RHC - Telemedicine Statistics Grant Fund evaluated all subsequent events through June 24, 2011, the date the financial statements were available to be issued.

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June 24, 2011

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
Rural Hospital Coalition, Inc. - Telemedicine Statistics Grant Fund
Pride, Louisiana

Members of the Board:

We have audited the financial statements of the Rural Hospital Coalition, Inc. - Telemedicine Statistics Grant Fund, Pride, Louisiana, as of December 31, 2010 and for the period from inception (April 1, 2010) to December 31, 2010, and have issued our report thereon dated June 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Rural Hospital Coalition, Inc. - Telemedicine Statistics Grant Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rural Hospital Coalition, Inc. - Telemedicine Statistics Grant Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Rural Hospital Coalition, Inc. - Telemedicine Statistics Grant Fund's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rural Hospital Coalition, Inc. - Telemedicine Statistics Grant Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Directors, awarding agencies, pass-through entities, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

**Rural Hospital Coalition, Inc. -
Telemedicine Statistics Grant Fund
Summary of Current Year Findings
Period from April 1, 2010 (Date of Inception) to December 31, 2010**

Findings - Financial Statement Audit

None.