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**HEALTH CARE CENTERS IN SCHOOLS, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2000**

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Release Date 2-21-01



HEALTH CARE CENTERS IN SCHOOLS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2000



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**Postlethwaite & Netterville**

A Professional Accounting Corporation  
Associated Offices in Principal Cities of the United States

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Health Care Centers in Schools, Inc.  
Baton Rouge, Louisiana

We have audited the accompanying statement of financial position of Health Care Centers in Schools, Inc. (a not-for-profit organization) as of June 30, 2000, and the related statements of activities and cash flows for the period from inception (April 26, 1999) through June 30, 2000. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Health Care Centers in Schools, Inc. as of June 30, 2000, and the results of its operations and its cash flows for the period from inception (April 26, 1999) through June 30, 2000, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2000, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
October 15, 2000



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Health Care Centers in Schools, Inc.  
Baton Rouge, Louisiana

We have audited the accompanying financial statements of Health Care Centers in Schools, Inc. (a not-for-profit organization) as of June 30, 2000 and for the period from inception (April 26, 1999) through June 30, 2000, and have issued our report thereon dated October 15, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Organization's financial statements were free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 the objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Organization's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item B-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We do not believe that the lack of segregation of duties described in the accompanying schedule of findings and questioned costs is a material weakness.

This report is intended solely for the information and use of the board of directors and management of the Health Care Centers in Schools, Inc. and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
October 15, 2000



**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2000**

**ASSETS**

**ASSETS**

Receivables	\$ 90,863
Cash	12,450
Total current assets	<u>103,313</u>
Property and equipment-net	<u>16,110</u>
Total Assets	<u>\$ 119,423</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Line of credit	\$ 66,012
Accounts payable	4,337
Accrued salaries	17,938
Accrued interest	1,048
Total Liabilities	<u>89,335</u>

**NET ASSETS**

Unrestricted	14,933
Temporarily restricted	<u>15,155</u>
Total Net Assets	<u>30,088</u>
Total Liabilities and Net Assets	<u>\$ 119,423</u>

The accompanying notes are an integral part of this statement.



**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

Page 1 of 2

**STATEMENT OF ACTIVITIES**  
**FROM INCEPTION THROUGH JUNE 30 ,2000**

	Unrestricted	Temporarily Restricted	Total
<b><u>REVENUE</u></b>			
Office of Public Health	\$ 807,223	\$ -	\$ 807,223
Donated Services	134,575	-	134,575
Louisiana's Children's Trust Fund	14,951	-	14,951
The Frost Foundation, LTD	15,630	14,370	30,000
Junior League of Baton Rouge, Inc.	4,600	-	4,600
East Baton Rouge Parish School System	25,444	-	25,444
Istrouma Teen Learning	3,201	785	3,986
Academic Distinction Fund	7,000	-	7,000
Baton Rouge Area Foundation	6,213	-	6,213
Contributions	20,536	-	20,536
Total revenue and support	1,039,373	15,155	1,054,528
<b><u>EXPENSES</u></b>			
<b><u>PROGRAM SERVICES</u></b>			
Salaries and benefits	869,222	-	869,222
Contractual services	42,085	-	42,085
Other	715	-	715
Repairs and maintenance	3,079	-	3,079
Interest expenses	7,220	-	7,220
Insurance	5,481	-	5,481
Depreciation	4,426	-	4,426
Medical supplies	7,489	-	7,489
Office supplies	5,661	-	5,661
Travel and meals	2,390	-	2,390
Total program service expense	947,768	-	947,768
<b><u>SUPPORT SERVICES</u></b>			
Salaries and benefits	67,585	-	67,585
Contractual services	6,590	-	6,590
Postage	200	-	200
Office supplies	630	-	630
Travel and meals	1,667	-	1,667
Total support service expense	76,672	-	76,672
Total expenses	1,024,440	-	1,024,440

The accompanying notes are an integral part of this statement.



**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**Page 2 of 2**

**STATEMENT OF ACTIVITIES**  
**FROM INCEPTION THROUGH JUNE 30 ,2000**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>CHANGE IN NET ASSETS</u></b>	\$ 14,933	\$ 15,155	\$ 30,088
<b><u>NET ASSETS, balance at inception</u></b>	-	-	-
<b><u>NET ASSETS, end of year</u></b>	<u>\$ 14,933</u>	<u>\$ 15,155</u>	<u>\$ 30,088</u>

The accompanying notes are an integral part of this statement.



**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**STATEMENT OF CASH FLOWS**  
**FROM INCEPTION THROUGH JUNE 30 ,2000**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 30,088
Depreciation	4,426
Non-cash contributions	(20,536)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Accounts receivable	(90,863)
Accounts payable	4,337
Accrued salaries	17,938
Accrued interest	1,048
Net cash used in operating activities	<u>(53,562)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Net borrowings on line of credit	<u>66,012</u>
Net cash provided by financing activities	<u>66,012</u>
 Net increase in cash	 12,450
 Cash balance, inception	 <u>-</u>
 Cash balance, end of year	 <u>\$ 12,450</u>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

Cash paid during the year for interest	<u>\$ 6,172</u>
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The accompanying notes are an integral part of this statement.



**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

1. Summary of significant accounting policies

Health Care Centers in Schools, Inc. (the Organization) is a private not-for-profit organization located in Baton Rouge, Louisiana. The Organization was created to provide comprehensive health care services to students in need at local schools. The Organization links education with physical and emotional health care to promote the overall well-being of the students. The Organization fulfills this by operating seven clinics located at Glen Oaks Middle School, Westdale Middle School, Prescott Middle School, Northeast High School, Istrouma High School, Glen Oaks High School, and Northeast Elementary School. These programs are funded by grants received from the State of Louisiana Office of Public Health as well as various other grants.

The accounting and reporting policies of the Organization conform to generally accepted accounting principles. The significant accounting policies used by the Organization in preparing and presenting its financial statements are summarized as follows:

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents

*For purposes of the statement of cash flows, cash and cash equivalents include all short-term instruments having an original maturity of three months or less.*

Basis of presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Association does not have any temporarily restricted or permanently restricted net assets.

Income Taxes

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the financial statements.



**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

1. Summary of significant accounting policies (continued)

Allowance for doubtful accounts

All receivables have been deemed collectible by management. Therefore, no allowance account has been created.

Property and equipment

Property and equipment are stated at historical cost. Donated property is recorded at its fair value on the date of receipt, which is then treated as cost. Additions, renewals, and betterments that extend the life of assets are capitalized. Maintenance and repair expenditures are expensed as incurred.

Depreciation has been calculated using the straight-line method over the estimated useful lives of the related assets, which range from 5 to 7 years.

Donated Services

The Organization recognizes revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donation. During the year ended June 30, 2000, the value of donated services meeting the requirements for recognition in the financial statements was \$134,575.

Temporarily and permanently restricted net assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity. The Organization does not have any permanently restricted net assets.



**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

1. Summary of significant accounting policies (continued)

Grants and Contributions

The Organization accounts for grants and contributions in accordance with the requirements of Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

2. Temporarily restricted net assets

Temporarily restricted net assets were available for the following purposes at June 30, 2000:

Operations administrator	\$ 14,370
Pediatric health services - Istrouma High School	<u>785</u>
	<u>\$ 15,155</u>

3. Property and equipment

Property and equipment consisted of the following at June 30, 2000:

Computer equipment	\$ 13,931
Office equipment	<u>6,605</u>
	20,536
Less: Accumulated depreciation	<u>( 4,426)</u>
Property and equipment, net	<u>\$ 16,110</u>

Total depreciation expense for the year ended June 30, 2000 was \$4,426.

4. Line of Credit

The Company has established a line of credit with a bank for \$150,000. The outstanding balance was \$66,012 at June 30, 2000. The line of credit bears a fluctuating interest rate based on changes in the applicable rate (PRIME plus 2.5%, 11.5% at June 30, 2000). The line of credit is secured by accounts receivable.



**HEALTH CARE CENTERS IN SCHOOLS, INC.**  
**BATON ROUGE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**PERIOD ENDED JUNE 30, 2000**

A. Summary of Audit Results:

- (1) The independent auditors' report expressed an unqualified opinion on the financial statements of Health Care Centers in Schools, Inc. as of June 30, 2000, and for the period from inception (April 26, 1999) through June 30, 2000.
- (2) One reportable condition relating to the audit of the financial statements is reported at section B-1 in this schedule. This condition is not considered a material weakness.
- (3) No instances of noncompliance material to the financial statements of the Healthcare Centers in Schools, Inc. were disclosed during the audit.

B. Reportable Conditions:

- (1) Lack of Segregation of Duties

*Condition* - the performance of accounting procedures is limited to two people, which does not provide for proper segregation of duties in all circumstances.

*Criteria* - segregation of duties is an integral part of internal controls; as such, policies and procedures should be in place that provide reasonable assurance that financial transactions are properly recorded.

*Effect* - the segregation of duties is inadequate to provide effective internal control.

*Recommendation* - no action is recommended.

*Management's response* - we concur with the finding and the recommendation. Compensating controls do exist, such as dual signatures on checks over a specified limit by an authorized member of the board of directors. The Board of Directors has decided that it would not be cost effective to increase the size of the administrative staff to achieve effective segregation of duties.

