

**North Louisiana Area Health
Education Center Foundation
Monroe, Louisiana**

**Annual Financial Report
As of and for the Year Ended September 30, 2004**

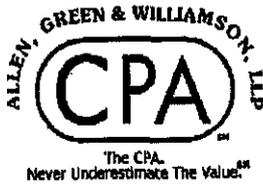
Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the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

Release Date 5/4/05

**North Louisiana Area Health
Education Center Foundation**

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ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

2414 Ferrand Street
Monroe, LA 71201

Phone: (318) 388-4422

Fax: (318) 388-4664

Toll-free: (888) 741-0205

www.allengreencpa.com

Tim Green, CPA

Margie Williamson, CPA

Ernest L. Allen, CPA
(Retired)
1963 - 2000

INDEPENDENT AUDITORS' REPORT

The Board of Directors
North Louisiana Area Health
Education Center Foundation
Monroe, Louisiana

We have audited the accompanying statement of financial position of North Louisiana Area Health Education Center Foundation, a nonprofit organization, (the North LA. AHEC) as of September 30, 2004, and the related statements of activities and cash flows for the year then ended. These basic financial statements are the responsibility of the North LA. AHEC'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North LA. AHEC, as of September 30, 2004, and the changes in its net assets and its cash flows for the year then ended 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 March 18, 2005, on our consideration of the North LA. AHEC'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 the 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the North LA. AHEC taken as a whole. The accompanying supplemental information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the North LA. AHEC. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Also, the accompanying other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the North LA. AHEC. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Allen, Green + Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
March 18, 2005

**NORTH LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION**

**STATEMENT OF FINANCIAL POSITION
September 30, 2004**

Statement A

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	124,584
Cost reimbursement receivable		110,984
Prepaid expenses		<u>5,863</u>

Total current assets 241,431

PROPERTY AND EQUIPMENT

Office equipment		102,330
Furniture		27,610
Vehicle		18,245
Building		<u>65,223</u>

Total property and equipment 213,408

Less: Accumulated depreciation 136,379

Total property and equipment - net of depreciation 77,029

TOTAL ASSETS **\$ 318,460**

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$	19,941
Accrued salaries		79,824
Accrued payroll taxes		6,794
Compensated absences		37,905
Deferred revenue		<u>84,912</u>

TOTAL LIABILITIES **229,376**

NET ASSETS

Unrestricted net assets 89,084

Total net assets 89,084

TOTAL LIABILITIES AND NET ASSETS **\$ 318,460**

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NORTH LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION**

**STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2004**

Statement B

	<u>UNRESTRICTED</u>
REVENUES, GAINS AND OTHER SUPPORT:	
Grants - Area Health Education Program	<u>\$ 1,760,248</u>
Other revenue:	
Interest and dividends	234
Donations	15,670
Other revenue	<u>6,590</u>
Total other revenue	<u>22,494</u>
Total revenues, gains and other support	<u>1,782,742</u>
EXPENSES AND LOSSES:	
Direct program expenses	<u>1,323,113</u>
Supporting Services Expense	
Salaries	296,766
Payroll taxes and benefits	69,152
Supplies and postage	14,240
Telephone	10,387
Occupancy expense	14,888
Travel	20,670
Other operating expenses	33,003
Depreciation	10,191
Marketing and membership	6,867
Supplies	7,675
Legal and accounting	<u>10,819</u>
Total supporting services expense	<u>494,658</u>
Loss on sale of fixed assets	<u>0</u>
Total expenses and losses	<u>1,817,771</u>
Change in net assets	(35,029)
NET ASSETS - BEGINNING OF YEAR	<u>124,113</u>
NET ASSETS - END OF YEAR	<u>\$ 89,084</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NORTH LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION**

**STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2004**

Statement C

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	\$ (35,029)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	10,191
Loss on sale of equipment	0
(Increase) decrease in:	
Cost reimbursement receivable	3,533
Prepaid expenses	(2,843)
(Decrease) increase in:	
Accounts payable	7,186
Accrued salaries	16,989
Accrued payroll taxes	3,175
Compensated absences	7,663
Deferred revenue	<u>(68,282)</u>
Net cash provided (used) by operating activities	<u>(57,417)</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Purchases of equipment	<u>(4,305)</u>
Net cash provided (used) by investing activities	<u>(4,305)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(61,722)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>186,306</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 124,584</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**North Louisiana Area Health
Education Center Foundation**

Notes to Basic Financial Statements

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**North Louisiana Area Health
Education Center Foundation**

Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Purpose The North Louisiana Area Health Education Center Foundation (the North LA. AHEC) was organized without capital stock under Louisiana law on March 7, 1989, as a non-profit corporation to bring healthcare education and resources to rural and underserved communities in North Louisiana. Membership in the North LA. AHEC is evidenced by certificates of membership and is limited to individuals who are members of the Board of Directors, or other persons who have the approval of the Board of Directors of this North LA. AHEC. The North LA. AHEC's main source of support is federal and state grants passed through various state agencies.

Income Taxes The North LA. AHEC is qualified as an organization exempt from Federal income taxes pursuant to Paragraph 501(c)(3) of the Internal Revenue Code. No provision for income taxes is necessary.

Cash and Cash Equivalents For purposes of the statement of cash flows, the North LA. AHEC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets and Donated Use of Facilities Pursuant to their contractual agreement, Louisiana State University Medical Center (LSUMC) budgets for expenditures for capital assets to be acquired for the North LA. AHEC. The contractual agreements for years 1989, 1990, 1991 and 1992, with LSUMC stated that the ownership of assets purchased with grant funds would remain with LSUMC. The agreements for years 1993 and 1994 do not specify this reversionary ownership. However, according to federal regulations, the title to assets purchased with federal funds generally reverts to the grantor at the end of the grant period. Accordingly, these costs were recorded as revenue and expenditures in the activity statement of the North LA. AHEC and are not capitalized for prior years. The assets purchased beginning October 1, 1994 are budgeted for in a cooperative endeavor agreement between LSUMC and the North LA. AHEC as described in Note 1. This agreement does not contain a provision for reversionary ownership and, accordingly, as of the beginning of the fiscal year ending September 30, 1995 the North LA. AHEC capitalizes assets purchased and records these purchases at cost. Depreciation is calculated using straight-line method over the estimated useful lives of the assets ranging from 3 to 20 years. Depreciation expense for the year was \$10,088.

The building is capitalized and depreciated over its estimated useful life. E. A. Conway Memorial Hospital, an affiliated organization with Louisiana State University Medical Center, provides the use of land for the portable building. The use of land is not recorded in the financial statements. The office was relocated in April, 1997 to Shreveport, Louisiana to space leased from a commercial office building.

Revenues and Expenses The North LA. AHEC is funded by contractual agreements with various state and federal agencies. These agreements represent exchange transactions for goods and services under the guidance provided by Statement of Financial Accounting Standards No 116 "Accounting for Contributions Received and Contributions Made". Exchange transactions do not meet the definition of contributions, accordingly, SFAS No. 116 does not apply. Support for the North LA. AHEC is provided by the Louisiana Legislature through funding to Louisiana State University Medical Center (LSUMC) for continuing the operations of the Area Health Education Program. In accordance with Article 7, Section 14(c) of the Louisiana Constitution a Cooperative Endeavor was entered into by and between the Board of Supervisors of Louisiana State University Agricultural and Mechanical College, acting on behalf of the Louisiana State University Medical Center, Shreveport and the North LA. AHEC. This agreement is a state funded replacement of a cooperative agreement originally between the United States Public Health Service (entered into in 1988 and terminated on September 29, 1994) and Louisiana State University Medical Center for the establishment of a state wide area health education center program.

**North Louisiana Area Health
Education Center Foundation**

Notes to Basic Financial Statements

Expenditures are to be made in accordance with a budget which has been adopted and made a part of the contract agreement with LSUMC. The North LA. AHEC is to be reimbursed by LSUMC for costs incurred in carrying out the provisions of this agreement. An advance is paid to the North LA. AHEC by the tenth working day of each month. Actual expenses for each month are billed to Louisiana State University Medical Center and any over/under payment will be deducted/added on a subsequent payment. Revenues are recorded when earned and expenses when incurred. Additional programs added to enhance the North LA. AHEC's ability to serve the community are supported by other federal and state grants. These grants operate on a cost reimbursement basis.

Contributions Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a 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. The North LA. AHEC has not received any restricted contributions.

The North LA. AHEC primarily receives cash from various government contracts on an exchange transaction for specified services. These revenues are not considered contributions and are recorded as an increase in unrestricted net assets.

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The North LA. AHEC has not received any promises to give.

Functional Allocation of Expenses The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

Costs are allocated between fund raising, management and general, supporting services or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the North LA. AHEC.

NOTE 2 - DEPOSITS At September 30, 2004, the North LA. AHEC had cash and cash equivalents (book balances) totaling \$124,584 in interest bearing demand deposits. Deposits are stated at cost, which approximates fair value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At year end, the North LA. AHEC's carrying amount of deposits was \$124,584 and the bank balance was \$138,104. Of the bank balance, \$138,104 was covered by federal deposit insurance.

NOTE 3 - ACCOUNTS RECEIVABLE Accounts receivable of \$110,984 at September 30, 2004, consists of amounts due from various grants for cost reimbursement.

NOTE 4 - ACCOUNTS PAYABLE Accounts payable at September 30, 2004, of \$19,941 consisted of payments to vendors.

**North Louisiana Area Health
Education Center Foundation**

Notes to Basic Financial Statements

NOTE 5 - CAPITAL ASSETS Capital asset balances and activity for the year ended September 30, 2004, are as follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Exhaustible capital assets				
Buildings	\$ 65,223	\$0	\$0	\$65,223
Furniture and equipment	125,635	4,305	0	129,940
Transportation equipment	<u>18,245</u>	<u>0</u>	<u>0</u>	<u>18,245</u>
Total	<u>209,103</u>	<u>4,305</u>	<u>0</u>	<u>213,408</u>
Less accumulated depreciation				
Buildings	21,987	3,709	0	25,696
Furniture and equipment	101,595	5,179	0	106,774
Transportation and equipment	<u>2,606</u>	<u>1,303</u>	<u>0</u>	<u>3,909</u>
Total	<u>126,188</u>	<u>10,191</u>	<u>0</u>	<u>136,379</u>
Governmental activities				
Capital assets, net	<u>\$ 82,915</u>	<u>\$(5,886)</u>	<u>\$0</u>	<u>\$77,029</u>

NOTE 6 - DEFERRED COMPENSATION PLAN The North LA. AHEC sponsors all of its eligible full-time employees in a noncontributory tax-deferred compensation plan under the rules in IRC Section 403(b). The amount of contributions by the North LA. AHEC to the Plan will be determined annually based on budget allocations and applicable law limitations. Contributions by the North LA. AHEC totaled \$76,465 for the year.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

The North LA. AHEC has a lease agreement for office space in Shreveport, Louisiana expiring July, 2004. The office space is used by the administration and accounting departments.

Total rent expense related to these and other short-term lease agreements was \$31,436 for the year ended September 30, 2004. Future aggregate minimum lease payments are as follows:

For Year Ended September 30, 2005	\$31,436
Thereafter	\$31,436

NOTE 8 - DEFERRED REVENUE At September 30, 2004, the North LA. AHEC had received \$84,912 of advanced funds from the Maternal and Child Health Bureau of the Department of Health and Human Services in excess of expended funds. The \$84,912 is recorded as deferred revenue in the financial statements. This is a decrease of \$68,282 from the prior year.

NOTE 9 - LITIGATION AND CLAIMS The North LA. AHEC participates in federal awards programs. The programs are subject to compliance audits by the grantor agency. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grant. Management believes that the amount of disallowance, if any, which may arise from future audits will not be material.

**North Louisiana Area Health
Education Center Foundation**

**Schedule of Expenses
For the Year Ended September 30, 2004**

Schedule 1

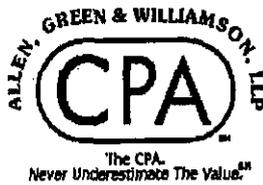
	<u>Program Services Expenses</u>	<u>Supporting Service Expenses</u>	<u>Total</u>
Salaries and related expenses			
Salaries	\$577,059	\$296,766	\$873,825
Payroll taxes	47,555	29,600	77,155
Employee benefits	127,546	32,157	159,703
Miscellaneous personnel expense	<u>2,432</u>	<u>7,395</u>	<u>9,827</u>
Total salaries and related expenses	<u>754,592</u>	<u>365,918</u>	<u>1,120,510</u>
Other expenses			
Active Computer Learning Systems	16,261	0	16,261
AHEC of A Summer	37,761	0	37,761
American Heart Association	59,954	0	59,954
Children's Trust	14,247	0	14,247
Career Information	10	0	10
Community Development	1,148	0	1,148
Continuing Education	18,745	0	18,745
Community Health Education	4,233	0	4,233
E. A. Conway Medical Center	1,284	0	1,284
Elem. - Jr. School	8,000	0	8,000
Health Career Awareness	14,928	0	14,928
Healthy Start	171,316	0	171,316
School of Dentistry	2,506	0	2,506
Learning Resource Center	12,500	0	12,500
MASH	33,144	0	33,144
Miscellaneous Community Projects	44,486	0	44,486
Injury Prevention	17,148	0	17,148
Nursing Continuing Education	814	0	814
Primary Care Rural Perception Program	29,777	0	29,777
Project Hope	1,039	0	1,039
Shots for tots	19,112	0	19,112
Health Care Recruitment (HCR)	35,739	0	35,739
AHEC EAMC	9,214	0	9,214
Misc. Community Program	1,303	0	1,303
LRHA	961	0	961
Gladney Scholarship	12,891	0	12,891
Accounting & legal fees	0	10,819	10,819
Board of directors	0	4,771	4,771
Building expenses	0	14,888	14,888
Educational materials	0	436	436
Equipment and storage rental	0	6,123	6,123
Insurance	0	10,994	10,994
Marketing and promotion	0	3,874	3,874
Membership	0	2,993	2,993
Miscellaneous expenses	0	4,747	4,747
Office expenses	0	15,708	15,708
Postage	0	4,286	4,286
Security	0	178	178

North Louisiana Area Health
Education Center Foundation

Schedule of Expenses
For the Year Ended September 30, 2004

Schedule 1

	<u>Program Services Expenses</u>	<u>Supporting Service Expenses</u>	<u>Total</u>
Supplies	0	7,675	7,675
Telephone	0	10,387	10,387
Travel	0	20,670	20,670
Depreciation	<u>0</u>	<u>10,191</u>	<u>10,191</u>
Total other expenses	<u>568,521</u>	<u>128,740</u>	<u>697,261</u>
Total	<u>\$1,323,113</u>	<u>\$494,658</u>	<u>\$1,817,771</u>



ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

2414 Ferrand Street
Monroe, LA 71201

Phone: (318) 388-4422

Fax: (318) 388-4664

Toll-free: (888) 741-0205

www.allengreencpa.com

Tim Green, CPA

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Ernest L. Allen, CPA
(Retired)
1963 - 2000

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

The Board of Directors
North Louisiana Area Health
Education Center Foundation
Monroe, Louisiana

We have audited the financial statements of North Louisiana Area Health Education Center Foundation, (a non-profit organization) as of and for the year ended September 30, 2004, and have issued our report thereon dated March 18, 2005. 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 North LA. AHEC'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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 Agency's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 04-F1.

A material weakness is a reportable 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 caused by error or fraud 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. However, we believe that none of the reportable conditions described above is a material weakness.

Management Letter Items

We also noted other matters involving the internal control over financial reporting, which we have reported to management of North LA. AHEC in a separate letter dated March 18, 2005.

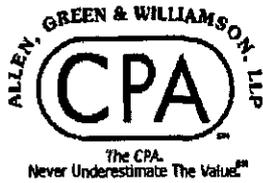
Compliance & Other Matters

As part of obtaining reasonable assurance about whether the North LA. AHEC'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 that are required to be reported under Government Auditing Standards.

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

Allen, Green & Williamson, LLP
ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
March 18, 2005



ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

2414 Ferrand Street
Monroe, LA 71201

Phone: (318) 388-4422

Fax: (318) 388-4864

Toll-free: (888) 741-0205
www.allengreencpa.com

Tim Green, CPA

Margie Williamson, CPA

Ernest L. Allen, CPA
(Retired)
1963 - 2000

Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular No. A-133

Board Members
North Louisiana Area Health
Education Center Foundation
Monroe, Louisiana

Compliance

We have audited the compliance of North Louisiana Area Health Education Center Foundation with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular No. A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2004. The North LA. AHEC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the North LA. AHEC's management. Our responsibility is to express an opinion on the North LA. AHEC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular No. A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the North LA. AHEC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the North LA. AHEC's compliance with those requirements.

In our opinion, the North LA. AHEC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

Internal Control Over Compliance

The management of the North LA. AHEC is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the North LA. AHEC's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular No. A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major

federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of North LA. AHEC, as of and for the year ended September 30, 2004, and have issued our report thereon dated March 18, 2005. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular No. A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Allen, Green + Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
March 18, 2005

**North Louisiana Area Health
Education Center Foundation**

**Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	CFDA Number	Pass-Through Grantor No.	<u>Expenditures</u>
CASH FEDERAL AWARDS			
Department of Health and Human Services			
Direct Programs:			
Healthy Start Division	93.926E	H49MC00084-030	\$530,282
Passed Through State of Louisiana Department of Health and Hospitals, Office of Public Health			
Maternal and Child Health Program	93.994	031381	38,776
Project HOPE	93.994	588278	51,433
Injury Prevention Coordinator	93.994	031173;019958	35,808
Passed Through Louisiana State University Health Service Center			
Model AHEC	93.107	502606	<u>110,802</u>
Total Federal Awards			<u>\$767,101</u>

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004**

NOTE 1 - GENERAL The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the North Louisiana Area Health Education Center Foundation. The North LA. AHEC's reporting entity is defined in note 1 to the North LA. AHEC's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

NOTE 2 - BASIC OF ACCOUNTING The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

NOTE 3 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

NOTE 4 - MATCHING REVENUES For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures.

**North Louisiana Area Health
Education Center Foundation**

**Schedule of Findings and Questioned Costs
As of and for the Year Ended September 30, 2004**

PART I - Summary of the Auditors' Results

Financial Statement Audit

- i. The type of audit report issued was unqualified.
- ii. There was one reportable condition required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States.

The reportable condition was not considered to be a material weakness.
- iii. There were no instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statements.

Audit of Federal Awards

- iv. There were no reportable conditions required to be disclosed by OMB Circular No. A-133.
- v. The type of report the auditor issued on compliance for major programs was unqualified.
- vi. The audit disclosed no audit findings which the auditor is required to report under OMB Circular No. A-133, Section .510(a).
- vii. The major federal program is:

CFDA #93.926E Healthy Start
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular No. A-133, Section .520(b) was \$300,000.
- ix. The auditee qualifies as a low-risk auditee under OMB Circular No. A-133, Section .530.

**North Louisiana Area Health
Education Center Foundation**

**Schedule of Findings and Questioned Costs
As of and for the Year Ended September 30, 2004**

Part II – Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Reference # and title: 04-F1 Bank Reconciliations Are Not Being Prepared Timely

Entity-wide or program/department specific: This finding is entity-wide.

Criteria or specific requirement: Good internal controls require that bank reconciliations be performed timely. This ensures that unexplained differences are discovered quickly and can be researched. Also, there is usually only thirty days from the bank statement date to report and resolve any bank errors.

Condition found: A test of the bank reconciliations showed that seven of the operating and payroll account reconciliations were prepared 50 to 139 days after the statement date. These statements are sent directly to the fee accountant for reconciliation. North LA. AHEC staff does not have access to the reconciliations or the bank statements until the fee accountant forwards the documents to North LA. AHEC.

Possible asserted effect (cause and effect):

Cause: Unknown

Effect: Internal controls over cash were weakened.

Recommendations to prevent future occurrences: The preparations of the bank reconciliations could be monitored by a supervisor to ensure that the reconciliations are prepared in a timely manner. An additional person could be trained to perform this task in case there are circumstances in which the assigned person cannot perform this task.

North Louisiana Area Health
Education Center Foundation

Summary of Prior Audit Findings
As of and for the Year Ended September 30, 2004

03-F1 **Cash Draws Exceed Expenses**

Initially occurred: September 30, 2003

Condition found: The North LA. AHEC had deferred revenues of \$133,969 in the prior year related to this grant. In the current year the North LA. AHEC drew down an additional \$42,993 over current year expenses. This is a total of \$176,962 in deferred revenues.

Corrective action taken: The fiscal coordinator matches cash draws to projected expenses and adjusts the cash draws as needed. The Agency has also made efforts to ensure that current expenses exceed cash draws in an effort to earn the deferred revenue.

03-F2 **Financial Status Report Does Not Match General Ledger**

Initially occurred: September 30, 2003

Condition found: A test of the financial status report for the grant period ending May 31, 2003 indicated variances between the amounts reported and general ledger amounts as shown below:

<u>Expenses</u>	<u>Report</u>	<u>General Ledger</u>	<u>Difference</u>
Fringe Benefits	\$ 57,548	\$ 53,150	\$ 4,398
Supplies	49,391	48,642	749
Contractual	9,000	500	8,500
Other	36,177	39,117	(2,940)
Indirect Charges	<u>22,542</u>	<u>22,007</u>	<u>535</u>
Total	<u>\$174,658</u>	<u>\$163,416</u>	<u>\$11,242</u>

Corrective action taken: The general ledger reports have been used to support the financial status reports and are now an integral part of the supporting documentation. The reports now reflect the general ledger expense accounts.

**North Louisiana Area Health
Education Center Foundation**

**Corrective Action Plan for Current-Year Findings and Questioned Costs
As of and for the Year Ended September 30, 2004**

04-F1 Bank Reconciliations Are Not Being Prepared Timely

Condition: A test of bank reconciliations showed that seven of the operating and payroll accounts were prepared 50 to 139 days after the statement date. These statements are sent directly to the fee accountant for reconciliation.

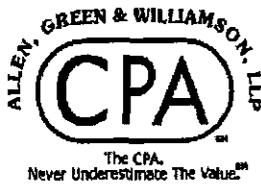
Corrective action planned: Management will meet with the fee accountant and document the issue and concerns again regarding the late reconciliations and reports. The fee accountant will be required to prepare and forward all reconciliations and reports to North LA. AHEC within 20 days of receipt.

Person responsible for corrective action:

Ms. Susan Moreland, Executive Director
North Louisiana Area Health
Education Center Foundation
6007 Financial Plaza, Suite 204
Shreveport, LA 71129

Telephone: (318) 686-2441
Fax: (318) 686-2612

Anticipated completion date: May 31, 2005



ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

2414 Ferrand Street
Monroe, LA 71201

Phone: (318) 388-4422

Fax: (318) 388-4864

Toll-free: (888) 741-0205

www.allengreencpa.com

Tim Green, CPA

Margie Williamson, CPA

Ernest L. Allen, CPA
(Retired)
1963 - 2000

Management Letter

Board Members

North Louisiana Area Health
Education Center Foundation
Monroe, Louisiana

In planning and performing our audit of the financial statements of the North Louisiana Area Health Education Center Foundation for the year ended September 30, 2004, we considered the North LA. AHEC's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated March 18, 2005, on the financial statements of the North LA. AHEC. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments and management's responses are summarized as follows:

04-M1 Chart of Accounts

Comment: The purpose of fund accounting is to readily identify all revenues and expenses associated with a particular program, project, grant, etc. The current chart of accounts does not completely reflect all expenses for each grant. An example is the payroll tax expense. The North LA. AHEC maintains an informal set of books internally, while the official set is maintained by an independent certified public accounting firm. During the audit sometimes we referred to the informal set of books while other times we referred to the official books. Draws requested on federal and state grants and the final year-end settlements should agree to the official set of books. The reports generated by the fee accountant do not mirror the North LA. AHEC's chart of accounts and results in difficulties in using the data provided.

Recommendation: The North LA. AHEC should confer with the fee accountant to explain the types of reports required as well as the detail needed. In addition, an effort should be made to ensure that all expenses and revenues are properly categorized for fund accounting purposes.

Management's response: Management has and will confer with the fee accountant and other accounting professionals as required in order to establish a chart of accounts which follows fund accounting principles. In addition, management will convey to the fee accountant the information and format required for reports in order to meet management's requirements for financial information and assist management in making decisions. The fee accountant has requested a copy of our chart of accounts to use for the 2004-2005 fiscal year.

* * * * *

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not reveal all weaknesses in policies and procedures that may exist.

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

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
March 18, 2005

North Louisiana Area Health
Education Center Foundation

Summary of Prior Management Findings
September 30, 2004

03-M1 **No Fidelity Bonds**

Comment: While reviewing the insurance documents for the North LA. AHEC we noted no record of fidelity bonds for employees who handle or are responsible for cash.

Management action taken: A fidelity bond was purchased and is current.

03-M2 **Chart of Accounts**

Comment: The purpose of fund accounting is to readily identify all revenues and expenses associated with a particular program, project, grant, etc. The current chart of accounts does not completely reflect all expenses for each grant. An example is the payroll tax expense. The North LA. AHEC maintains an informal set of books internally, while the official set is maintained by an independent certified public accounting firm. During the audit sometimes we referred to the informal set of books while other times we referred to the official books. Draws requested on federal and state grants and the final year-end settlements should agree to the official set of books. The reports generated by the fee accountant do not mirror the North LA. AHEC's chart of accounts and results in difficulties in using the data provided. In at least one instance the final accounting reported to one federal agency did not agree to the books.

Management action planned: The fee accountant has indicated in communication with our fiscal coordinator that she will make an effort to code the financial statements according to our chart of accounts.