

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

**Annual Financial Report
As of and for the Year Ended September 30, 2005**

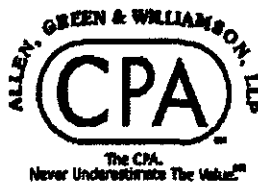
Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the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

Release Date 5-10-06

**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) 741-0206
www.allengreencpa.com

Tim Green, CPA

Margie Williamson, CPA

Diane Ferschhoff, 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, 2005, and the related statements of activities and cash flows for the year then ended. These 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the North LA. AHEC's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2005, 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 February 24, 2006, 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
February 24, 2006

**NORTH LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION**

**STATEMENT OF FINANCIAL POSITION
September 30, 2005**

Statement A

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	14,925
Investments		85,879
Cost reimbursement receivable		73,039
Prepaid expenses		<u>3,689</u>

Total current assets 177,512

PROPERTY AND EQUIPMENT

Office equipment	104,826
Furniture	27,610
Vehicle	18,245
Building	<u>65,223</u>

Total property and equipment 215,904

Less: Accumulated depreciation 148,520

Total property and equipment - net of depreciation 67,384

TOTAL ASSETS **\$ 244,896**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	41,882
Accrued salaries		68,655
Accrued payroll taxes		4,613
Compensated absences		27,471
Deferred revenue		<u>33,025</u>

TOTAL LIABILITIES **175,646**

NET ASSETS

Unrestricted net assets 69,250

Total net assets 69,250

TOTAL LIABILITIES AND NET ASSETS **\$ 244,896**

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, 2005**

Statement B

	UNRESTRICTED
REVENUES, GAINS AND OTHER SUPPORT:	
Grants - Area Health Education Program	<u>\$ 1,581,820</u>
Other revenue:	
Interest and dividends	191
Donations	4,740
Other revenue	<u>9,183</u>
Total other revenue	<u>14,114</u>
Total revenues, gains and other support	<u>1,575,734</u>
EXPENSES AND LOSSES:	
Direct program expenses	<u>1,140,611</u>
Supporting Services Expense	
Salaries	276,872
Payroll taxes and benefits	81,849
Supplies and postage	11,479
Telephone	9,087
Occupancy expense	17,008
Travel	13,224
Other operating expenses	9,428
Depreciation	12,141
Marketing and membership	1,309
Supplies	7,784
Legal and accounting	<u>10,655</u>
Total supporting services expense	<u>450,836</u>
Decrease in fair market value of investments	<u>4,121</u>
Total expenses and losses	<u>1,595,568</u>
Change in net assets	(19,834)
NET ASSETS - BEGINNING OF YEAR	<u>89,084</u>
NET ASSETS - END OF YEAR	<u>\$ 69,250</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, 2005**

Statement C

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	\$ (19,834)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	12,141
(Increase) decrease in:	
Cost reimbursement receivable	37,945
Prepaid expenses	2,194
(Decrease) increase in:	
Accounts payable	21,941
Accrued salaries	(11,169)
Accrued payroll taxes	(2,181)
Compensated absences	(10,434)
Deferred revenue	<u>(51,887)</u>
Net cash provided (used) by operating activities	<u>(21,284)</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Purchases of equipment	<u>(2,496)</u>
Net cash provided (used) by investing activities	<u>(2,496)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(23,780)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>124,584</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 100,804</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 \$12,141.

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

Expenses 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. Revenues are recorded when earned and expenses when incurred. Additional programs added to enhance the North LA. AHEC's ability to serve the community is 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 AND INVESTMENTS At September 30, 2005, the North LA. AHEC had cash and cash equivalents (book balances) totaling \$14,925 in 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 \$14,925 and the bank balance was \$33,649. Of the bank balance, \$33,649 was covered by federal deposit insurance.

Interest Rate Risk: The North LA. AHEC's policy does not address interest rate risk.

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the North LA. AHEC's deposits may not be returned to it. As of September 30, 2005, the North LA. AHEC had no custodial risk because the bank balances were fully insured by FDIC.

Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counter party, the North LA. AHEC will not be able to recover the value of its investments or collateral securities that are in the possession of an

**North Louisiana Area Health
Education Center Foundation**

Notes to Basic Financial Statements

outside party. The North LA. AHEC does have \$53,231 in CD's or equivalents insured through FDIC. The \$32,648 in corporate bonds is not collateralized with securities. The CD's and bonds are fixed income investments.

Credit Rate Risk: The CD equivalents do not have a credit rating. The corporate bonds have an S&P rating of AA (\$17,638) and BB+ (\$15,010).

NOTE 3 - ACCOUNTS RECEIVABLE Accounts receivable of \$73,039 at September 30, 2005, consists of amounts due from various grants for cost reimbursement. The North LA. AHEC expects to collect these balances in full; therefore no allowance for doubtful accounts has been established.

NOTE 4 - ACCOUNTS PAYABLE Accounts payable at September 30, 2005, of \$41,882 consisted of payments to vendors.

NOTE 5 - CAPITAL ASSETS Capital asset balances and activity for the year ended September 30, 2005, are as follows:

	Balance Beginning	Additions	Deletions	Balance Ending
Exhaustible capital assets				
Buildings	\$ 65,223	\$ 0	\$ 0	\$ 65,223
Furniture and equipment	129,940	2,496	0	132,436
Transportation equipment	<u>18,245</u>	<u>0</u>	<u>0</u>	<u>18,245</u>
Total	<u>213,408</u>	<u>2,496</u>	<u>0</u>	<u>215,904</u>
Less accumulated depreciation				
Buildings	25,696	3,485	0	29,181
Furniture and equipment	106,774	6,049	0	112,823
Transportation and equipment	<u>3,909</u>	<u>2,607</u>	<u>0</u>	<u>6,516</u>
Total	<u>136,379</u>	<u>12,141</u>	<u>0</u>	<u>148,520</u>
Governmental activities				
Capital assets, net	<u>\$ 77,029</u>	<u>\$(9,645)</u>	<u>\$ 0</u>	<u>\$ 67,384</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 \$105,514 for 2005.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

The North LA. AHEC has a lease agreement for office space in Shreveport, Louisiana expiring July, 2006. 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, 2005. Future aggregate minimum lease payments are as follows:

For Year Ended September 30, 2006	\$31,436
Thereafter	\$31,436

**North Louisiana Area Health
Education Center Foundation**

Notes to Basic Financial Statements

NOTE 8 - DEFERRED REVENUE At September 30, 2005, the North LA. AHEC had received \$33,025 of advanced funds from the Maternal and Child Health Bureau of the Department of Health and Human Services in excess of expended funds. The \$33,025 is recorded as deferred revenue in the financial statements. This is a decrease of \$51,887 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.

NOTE 10 - ECONOMIC DEPENDENCY Statement of Financial Accounting Standards (SFAS) No. 14 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenue. The Department of Health and Human Services provided \$769,634 or 49% of the North LA. AHEC's total revenues. The State of Louisiana (as passed through the LSU Medical Center) provided \$446,367 or 28% of total revenues.

North Louisiana Area Health
Education Center Foundation

Schedule of Expenses
For the Year Ended September 30, 2005

Schedule 1

	<u>Program Services Expenses</u>	<u>Supporting Service Expenses</u>	<u>Total</u>
Salaries and related expenses			
Salaries	\$ 459,429	\$ 276,872	\$ 736,301
Payroll taxes	44,095	22,044	66,139
Employee benefits	100,311	43,907	144,218
Miscellaneous personnel expense	<u>10,315</u>	<u>15,898</u>	<u>26,213</u>
Total salaries and related expenses	<u>614,150</u>	<u>358,721</u>	<u>972,871</u>
Other expenses			
AHEC of A Summer	53,297	0	53,297
Children's Trust	6,442	0	6,442
Community Development	3,972	0	3,972
Continuing Education	10,363	0	10,363
Community Health Education	15	0	15
Youth Programs (K-12)	15,927	0	15,927
Healthy Start	94,164	0	94,164
Learning Resource Center	17,324	0	17,324
March of Dimes	10,132	0	10,132
MASH	20,582	0	20,582
Miscellaneous Community Projects	27,387	0	27,387
Injury Prevention	12,530	0	12,530
OAD	5,402	0	5,402
Primary Care Rural Perception Program	45,850	0	45,850
Project Hope	4,697	0	4,697
Shots for tots	16,084	0	16,084
Health Care Recruitment	46,484	0	46,484
Health Care Recruitment (HCR)	87,563	0	87,563
WIC	42,284	0	42,284
Farmedic	1,575	0	1,575
Gladney Scholarship	4,387	0	4,387
Accounting & legal fees	0	10,655	10,655
Board of directors	0	7,731	7,731
Building expenses	0	17,008	17,008
Educational materials	0	103	103
Equipment and storage rental	0	2,165	2,165
Marketing and memberships	0	1,309	1,309
Miscellaneous expenses	0	1,978	1,978
Office expenses	0	353	353
Postage	0	3,942	3,942
Security	0	192	192
Equipment and Maintenance	0	4,443	4,443
Supplies	0	7,784	7,784

North Louisiana Area Health
Education Center Foundation

Schedule of Expenses
For the Year Ended September 30, 2005

Schedule 1

	<u>Program Services Expenses</u>	<u>Supporting Service Expenses</u>	<u>Total</u>
Telephone	0	9,087	9,087
Travel	0	13,224	13,224
Depreciation	<u>0</u>	<u>12,141</u>	<u>12,141</u>
Total other expenses	<u>526,461</u>	<u>92,115</u>	<u>618,576</u>
Total	<u>\$1,140,611</u>	<u>\$450,836</u>	<u>\$1,591,447</u>



ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

Phone: (318) 388-4422

Fax: (318) 388-4664

2414 Ferrand Street
Monroe, LA 71201

Toll-free: (888) 741-0206
www.allengreencpa.com

Tim Green, CPA

Margie Williamson, CPA

Diane Ferschoff, CPA

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, 2005, and have issued our report thereon dated February 24, 2006. 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 initiate, record, process, 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 05-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 the reportable condition described above is not a material weakness.

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.

Management Letter Items

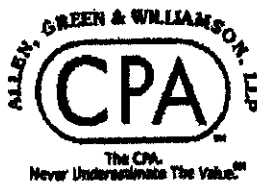
We also noted other matters involving the internal control over financial reporting, which we have reported to management of North LA. AHEC in a separate letter dated February 24, 2006.

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
February 24, 2006



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CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

2414 Ferrand Street
Monroe, LA 71201

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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular 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 A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2005. 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 A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular 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, 2005. However the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in accompanying Schedule of Findings and Questioned Costs as item number 05-F2.

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 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, 2005, and have issued our report thereon dated February 24, 2006. 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 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
February 24, 2006

**North Louisiana Area Health
Education Center Foundation**

**Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2005**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	<u>CFDA Number</u>	<u>Pass-Through Grantor No.</u>	<u>Expenditures</u>
CASH FEDERAL AWARDS			
Department of Health and Human Services			
Direct Programs:			
Healthy Start Division	93.926E	H49MC00084-030	\$ 542,585
Passed Through State of Louisiana Department of Health and Hospitals, Office of Public Health			
Maternal and Child Health Program	93.994	031381	81,429
Project HOPE	93.994	588278	20,276
Injury Prevention Coordinator	93.994	031173;019958	38,810
Passed Through Louisiana State University Health Service Center			
Model AHEC	93.107	502606	<u>86,534</u>
Total Federal Awards			<u>\$769,634</u>

**North Louisiana Area Health
Education Center Foundation**

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2005**

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, 2005**

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 A-133.
- v. The type of report the auditor issued on compliance for major programs was unqualified.
- vi. The audit disclosed one audit finding which the auditor is required to report under OMB Circular 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 A-133, Section .520(b) was \$300,000.
- ix. The auditee qualifies as a low-risk auditee under OMB Circular 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, 2005

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: 05-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: Review of the bank reconciliations and discussions with administrative staff revealed that bank reconciliations are not prepared timely.

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

Schedule of Findings and Questioned Costs
As of and for the Year Ended September 30, 2005

PART III - Findings and questions for federal awards which are required to be reported under OMB Circular A-133
Section .510(a)

Reference # and title: **05-F2** **Semi Annual Certifications Not Completed**

Entity-wide or program/department specific: This finding is specific to the Healthy start program.

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	<u>CFDA Number</u>	<u>Federal Award Year</u>
Department of Health and Human Services Healthy Start	93.926E	2005

Criteria or specific requirement: OMB Circular A-87 requires that direct costs for payroll and associated expenses be documented so that the employee's efforts are charged to the correct program.

Condition found: The test of payroll expenses revealed that there was no documentation in the form of semi-annual certifications for those employee paid with Healthy Start federal funds.

Possible asserted effect (cause and effect):

Cause: The staff was not aware that these certifications were required.

Effect: The Foundation is in non compliance with federal guidelines.

Recommendations to prevent future occurrences: The Foundation should document the time employees spend on Healthy Start activities.

**North Louisiana Area Health
Education Center Foundation**

**Summary of Prior Audit Findings
September 30, 2005**

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: See finding 05-F1.

North Louisiana Area Health
Education Center Foundation

Corrective Action Plan for Current-Year Findings and Questioned Costs
September 30, 2005

Reference # and title: 05-F1 Bank Reconciliations Are Not Being Prepared Timely

Condition found: Review of the bank reconciliations and discussions with administrative staff revealed that bank reconciliations are not prepared timely.

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: Immediately

Reference # and title: 05-F2 Semi Annual Certifications Not Completed

Condition found: The test of payroll expenses revealed that there was no documentation in the form of semi-annual certifications for those employee paid with Healthy Start federal funds.

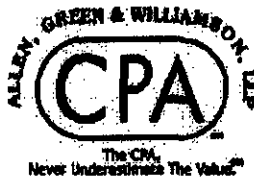
Corrective action planned: NLAHEC has contacted Sheila Robinson in the DHH Contract Office, Debra Poland in the DHH Fiscal Division, Angela Toliver in the HRSA Program Office and Curtis Colston in the HRSA Grants Management Office for information regarding the Cost Certification Reporting Form for federal grants. Neither of these persons have knowledge of this form. We have contacted Curtis Colston at the HRSA Grants Management Office specifically referring him to the Office of Management and Budget circular A87 for assistance. To date, we do not have a response from Mr. Colston. While we want to make every effort to comply with all reporting requirements, we are unable to find anyone to provide us the form or to have knowledge of how to obtain one or when, where and how we should file this document. Again, it is our intention to assure that every effort is made to comply with all aspects of federal policy in the implementation and management of this project and funds.

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: September 30, 2006



ALLEN, GREEN & WILLIAMSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 6075

Monroe, LA 71211-6075

Phone: (318) 388-4422

Fax: (318) 388-4664

2414 Ferrand Street
Monroe, LA 71201

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

Tim Green, CPA

Margie Williamson, CPA

Diann Ferschoff, 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, 2005, 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 February 24, 2006, 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:

05-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 requested a copy of our chart of accounts to use for the 2004-2005 fiscal year.

05-M2 Vendor Payments

Comment: A test of forty vendor payments revealed that one check was issued with no signature, one payment was less than the invoice amount, one payment did not take advantage of a discount for early payment, and two payments were paid more than thirty days after the invoice date.

Recommendation: Due care should be taken to ensure that checks contain the appropriate signatures, that available discounts are taken and that timely payments are made. The required documentation for travel reimbursements should be obtained prior to payment.

Management response: In recent months, NLAHEC has hired additional staff to assist the Director of Operations with her fiscal duties to alleviate errors in accounts payable and accounts receivables. This assistant reviews all payables and receivables and aids in coding, posting and mailing these payables. Items such as a missing signature on a check will be detected prior to a mail out with this review system. This analysis will also ensure that adequate documentation is included in all check requests.

NLAHEC's financial policy states that all purchases require an advanced written approval from the Executive Director in the form of a bid tabulation form or a check request. No employee is authorized to make purchases or obligate NLAHEC to any expense without prior authorization. In October 2004, a project director faxed an order to a vendor (CICC) for books, videos and other educational materials for a total cost of approximately \$6,300. Prior authorization was not received. The invoice was presented to the Fiscal Coordinator for payment as these materials would not be shipped until the invoice was paid. The invoice was rejected and sent back for proper paperwork and documentation. A check request and complete documentation was later received and the order was separated as the funds would be disbursed from different contracts and reduced according to the current need of the programs. An updated invoice was received upon receipt of the materials.

A large percentage of NLAHEC's revenue is received from the State of Louisiana via grants and contracts. These contracts are on a reimbursement basis only. We are constantly at the mercy of the State's accounts payable system in receiving timely reimbursement. At times, these reimbursements are received as late as 4-6 months which creates a significant cash flow issue for a non-profit agency like NLAHEC. The State has made several attempts in alleviating these problems but the devastation of Hurricanes Katrina and Rita created yet another breakdown in the process of timely reimbursements to contractors and grantees.

* * * * *

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.

Immediately following this letter is a Status of Prior Management Letter Items. This information has not been audited by Allen, Green & Williamson, LLP, and no opinion is expressed. However, we did follow-up on the prior management letter items and performed procedures to assess the reasonableness of the Status of Prior Management Letter Items prepared by the auditee, and we would report, as a current-year management letter item when Allen, Green & Williamson, LLP, concludes that the Status of Prior Management Letter Items materially misrepresents the status of any prior management letter item.

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Allen, Green + Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
February 24, 2006

**North Louisiana Area Health
Education Center Foundation**

**Status of Prior Management Letter Items
September 30, 2005**

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.

Management's response: See current-year management letter item 05-M1.