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OUTPATIENT MEDICAL CENTERS, INC.
AUDITED FINANCIAL STATEMENTS
JANUARY 31, 2004 and 2003

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 8/18/04

OUTPATIENT MEDICAL CENTERS, INC.
 January 31, 2004 and 2003
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Outpatient Medical Centers, Inc.
Natchitoches, Louisiana

We have audited the accompanying statements of financial position of Outpatient Medical Centers, Inc. (a nonprofit organization) as of January 31, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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 Outpatient Medical Centers, Inc., as of January 31, 2004 and 2003, and the changes in its net assets and its cash flows for the years 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 May 21, 2004, on our consideration of the organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Outpatient Medical Centers, Inc., taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

Banks, Finley, White & Co.

May 21, 2004

OUTPATIENT MEDICAL CENTERS, INC.
Statement of Financial Position
January 31, 2004 and 2003

<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
Current Assets:		
Cash	\$ 253,741	\$ 205,181
Patient care receivables, less allowance of \$276,797 for doubtful accounts	420,875	380,080
Grants and contracts receivable	45,492	21,146
Prepaid expenses	<u>8,868</u>	<u>2,909</u>
Total Current Assets	<u>728,976</u>	<u>609,316</u>
Fixed Assets:		
Land	110,000	110,000
Building and improvements	1,599,816	1,599,816
Furniture and equipment	1,151,787	1,037,105
Vehicles	<u>40,065</u>	<u>34,109</u>
	2,901,668	2,781,030
Less: Accumulated depreciation	<u>(1,877,019)</u>	<u>(1,784,872)</u>
Net Fixed Assets	<u>1,024,649</u>	<u>996,158</u>
OTHER ASSETS		
Deposits	<u>2,430</u>	<u>2,430</u>
TOTAL ASSETS	<u>\$ 1,756,055</u>	<u>\$ 1,607,904</u>

The accompanying notes are an integral part of these financial statements.

OUTPATIENT MEDICAL CENTERS, INC.
Statement of Financial Position
January 31, 2004 and 2003

<u>LIABILITIES AND NET ASSETS</u>	<u>2004</u>	<u>2003</u>
Current Liabilities:		
Accounts payable	\$ 45,385	\$ 40,385
Other payroll deductions payable	22,880	10,105
Salaries payable	35,228	31,671
Accrued annual leave	72,787	80,920
Refundable advance	371,613	283,142
Accrued interest payable	17	17
Notes payable, current portion	29,743	31,235
Capital leases payable, current portion	<u>27,899</u>	<u>71,757</u>
Total Current Liabilities:	<u>605,552</u>	<u>549,232</u>
Long-Term Liabilities		
Notes payable	261,271	309,960
Capital lease payable	27,899	100,359
Less: current portion	<u>(57,642)</u>	<u>(102,992)</u>
Total Long-Term Liabilities	<u>231,528</u>	<u>307,327</u>
Total Liabilities	<u>837,080</u>	<u>856,559</u>
Net Assets:		
Unrestricted		
Undesignated (operating)	(413,085)	(431,085)
Fixed assets	<u>1,332,060</u>	<u>1,182,430</u>
Total Net Assets	<u>918,975</u>	<u>751,345</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,756,055</u>	<u>\$ 1,607,904</u>

The accompanying notes are an integral part of these financial statements.

OUTPATIENT MEDICAL CENTERS, INC.
Statement of Activities
For the Year Ended January 31, 2004 and 2003

	CURRENT UNRESTRICTED		2004	2003
	Operations	Fixed Assets		
SUPPORT AND REVENUES (Note 2)				
Support:				
Grants and contracts	\$ 2,113,615	-	\$ 2,113,615	\$1,784,704
Total Support	<u>2,113,615</u>	<u>-</u>	<u>2,113,615</u>	<u>1,784,704</u>
Revenue:				
Health care services, net of charity, bad debts and contractual adjustments of \$865,638	1,249,321	-	1,249,321	1,135,312
Interest income	522	-	522	134
Other income	7,652	-	7,652	9,414
Total Revenue	<u>1,257,495</u>	<u>-</u>	<u>1,257,495</u>	<u>1,144,860</u>
TOTAL SUPPORT AND REVENUES	<u>3,371,110</u>	<u>-</u>	<u>3,371,110</u>	<u>2,929,564</u>
EXPENSES				
Program Services				
Health care services	1,596,730	-	1,596,730	1,414,729
Community services	128,399	-	128,399	137,042
Total Program Services	<u>1,725,129</u>	<u>-</u>	<u>1,725,129</u>	<u>1,551,771</u>
Supporting Services				
Management and general	1,384,345	112,006	1,496,351	1,301,256
Total Supporting Services	<u>1,384,345</u>	<u>112,006</u>	<u>1,496,351</u>	<u>1,301,256</u>
TOTAL EXPENSES	<u>3,109,474</u>	<u>112,006</u>	<u>3,221,480</u>	<u>2,853,027</u>
Change in net Assets	261,636	(112,006)	149,630	76,537
Net Assets, Beginning of Year	(431,085)	1,182,430	751,345	670,453
Prior period adjustment	18,000	-	18,000	4,355
Net Assets, as restated	<u>(413,085)</u>	<u>1,182,430</u>	<u>769,345</u>	<u>674,808</u>
Other changes in net assets				
Principal reduction in note payable	(48,688)	48,688	-	-
Principal reduction in capital leases	(72,461)	72,461	-	-
Acquisition of fixed assets	(140,487)	140,487	-	-
	<u>(261,636)</u>	<u>261,636</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ (413,085)</u>	<u>1,332,060</u>	<u>\$ 918,975</u>	<u>\$ 751,345</u>

The accompanying notes are an integral part of these financial statements.

OUTPATIENT MEDICAL CENTERS, INC.
Statement of Cash Flows
For the Year Ended January 31, 2004 and 2003

CASH FLOWS USED FOR OPERATING ACTIVITIES:

	<u>2004</u>	<u>2003</u>
Changes in Net Assets	\$ 149,630	\$ 76,537
Adjustments to reconcile changes in assets to net cash provided by operating activities:		
Depreciation expense	112,006	100,998
Prior period adjustment	18,000	4,355
Decrease (increase) in:		
Patient care receivables	(47,491)	14,806
Grants and contracts receivable	(17,317)	11,796
Accounts receivable	(332)	1,261
Prepaid expenses	(5,959)	18,846
Increase (decrease) in:		
Accounts payable	5,000	(68,747)
Accrued salaries payable	3,557	(42,487)
Other payroll deductions payable	12,764	1,998
Accrued interest payable	-	(9,033)
Cost report settlement payable	-	(10,138)
Refundable advance	88,471	283,142
Accrued annual leave	(8,133)	(35,762)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>310,196</u>	<u>347,572</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	(140,487)	-
NET CASH FROM INVESTING ACTIVITIES	<u>(140,487)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal reduction in notes and leases payable	(121,149)	(177,535)
Increase in capital lease obligation	-	-
NET CASH PROVIDED BY(USED IN) FINANCING ACTIVITIES	<u>(121,149)</u>	<u>(177,535)</u>
NET INCREASE (DECREASE) IN CASH	48,560	170,037
CASH, BEGINNING OF YEAR	<u>205,181</u>	<u>35,144</u>
CASH, END OF YEAR	<u>\$ 253,741</u>	<u>\$ 205,181</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year for:		
Interest expense	<u>\$ 41,069</u>	<u>\$ 53,297</u>

The accompanying notes are an integral part of these financial statements.

OUTPATIENT MEDICAL CENTERS, INC.
 Schedule of Functional Expenses
 For the Year Ended January 31, 2004

	Health Care Services	Community Services - WIC	Total Program Services	Management and General	Total Expenses
Personnel	\$ 929,512	63,272	992,784	474,023	\$ 1,466,807
Fringe benefits	90,575	8,593	99,168	136,196	235,364
Travel	16,061	7,200	23,261	76,632	99,893
Supplies	51,734	3,299	55,033	63,673	118,706
Equipment rental	765	625	1,390	21,816	23,206
Contractual	465,618	36,695	502,313	166,708	669,021
Equipment expense	7,440	-	7,440	19,009	26,449
Legal and accounting	-	-	-	16,204	16,204
Dues and subscriptions	1,793	-	1,793	21,946	23,739
Utilities	-	-	-	60,753	60,753
Repairs and maintenance	6,942	450	7,392	65,417	72,809
Insurance	-	-	-	18,999	18,999
Staff recruitment	19,940	-	19,940	11,682	31,622
Security	-	-	-	455	455
Continuing education	2,050	1,092	3,142	6,973	10,115
Communications	614	395	1,009	112,432	113,441
Licenses and fees	874	-	874	-	874
Janitorial	-	-	-	12,895	12,895
Space cost	-	6,700	6,700	30,183	36,883
Interest	-	-	-	41,069	41,069
Bank and finance charges	36	78	114	7,830	7,944
Board expenses	-	-	-	2,947	2,947
Property taxes	-	-	-	10,981	10,981
Other	2,776	-	2,776	5,522	8,298
Total expenses before depreciation	1,596,730	128,399	1,725,129	1,384,345	3,109,474
Depreciation	-	-	-	112,006	112,006
Total Expenses	<u>\$ 1,596,730</u>	<u>128,399</u>	<u>1,725,129</u>	<u>1,496,351</u>	<u>\$ 3,221,480</u>

The accompanying notes are an integral part of these financial statements

OUTPATIENT MEDICAL CENTERS, INC.
Notes to the Financial Statements
January 31, 2004

NOTE 1 - ABOUT THE ORGANIZATION

Outpatient Medical Centers, Inc. (OPMC), a non-profit corporation, was incorporated in the State of Louisiana as of December 1997. The primary purpose of the Corporation is to provide outpatient health care in a medically underserved area to patients who otherwise would have limited access to health care. The Corporation is supported through a grant from Public Health Service, a component of the U. S. Department of Health and Human Services.

The fiscal year of OPMC is February 1 to January 31.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Accounting - The financial statements of Outpatient Medical Centers, Inc., are presented on the accrual basis of accounting.
- B. Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.
- C. Cash and Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less that are not restricted for specific purposes.
- D. Donated Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.
- E. Donated Services - Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center.
- F. Expense Allocation - The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

OUTPATIENT MEDICAL CENTERS, INC.
Notes to the Financial Statements
January 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. Fund Accounting - The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.
- H. Property and Equipment - Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Acquisitions in excess of \$500 are capitalized. Property, furniture, equipment and buildings are depreciated over their useful lives ranging from 5 to 40 years.
- I. Restricted and Unrestricted Revenue and Support - 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. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.
- J. Employees' Annual Leave - OPMC charges annual leave earned by employees which has not been used by them at the end of a period to the period that the leave is earned.
- K. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- L. Patient Service Fees - Revenue for services rendered to patients are recorded at standard rates established by the Organization. The difference between standard rates and the amounts collected from third-party payors and patients qualifying as Poverty Patients is charged as an adjustment to gross revenues.

NOTE 3 - FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Center in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: the carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

OUTPATIENT MEDICAL CENTERS, INC.
Notes to the Financial Statements
January 31, 2004

NOTE 3 - FINANCIAL INSTRUMENTS (Continued)

The estimated fair values of the Center's financial instruments, none of which are held for trading purposes, are as follows:

Financial assets:	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 253,741	\$ 253,741
Financial liabilities:	<u>Carrying Amount</u>	<u>Fair Value</u>
Long-term notes payable	\$ 261,271	\$ 261,271
Obligation under capital lease	27,899	27,899

NOTE 4 - CONCENTRATIONS OF CREDIT RISK ARISING FROM DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization maintains its cash balances in three (3) financial institutions located in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At January 31, 2004, the Organization's uninsured cash balances total \$113,435.

NOTE 5 - PATIENT RECEIVABLES

The amount of net patient care receivable at January 31, 2004 was \$420,875. Management feels that the actual collectability of the accounts receivable from patients will be realized in the amount as shown in the statement of financial position.

NOTE 6 - FIXED ASSETS

The following is a summary schedule of fixed assets and related accumulated depreciation carried in the general property fund.

<u>Assets</u>	
Land	\$ 110,000
Buildings and Improvements	1,599,816
Furniture and Equipment	1,151,787
Vehicles	<u>40,065</u>
Total Property and Equipment	2,901,668
Less: Accumulated Depreciation	<u>(1,877,019)</u>
Net Property and Equipment	<u>\$ 1,024,649</u>

NOTE 7 - CORPORATE INCOME TAXES

The Organization is exempt from corporate Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from Louisiana income taxes. Therefore, no provision has been made for Federal or Louisiana corporate income taxes in the accompanying financial statements.

OUTPATIENT MEDICAL CENTERS, INC.
Notes to the Financial Statements
January 31, 2004

NOTE 8 - RETIREMENT PLAN

The Center has a Section 401(k) plan for all eligible employees. To be eligible, an employee must be employed with the Corporation for at least one year and must be at least eighteen years of age. For the year ended January 31, 2004, the plan was properly funded. Retirement expense recognized was \$35,672 for the year ended January 31, 2004.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Annual Leave

The cost of employee's unused annual leave at January 31, 2004 in the amount of \$72,787 is included in the financial statements. See Note 2.J. above.

NOTE 10 - SUMMARY OF FUNDING AND SUPPORT

Outpatient Medical Center's operations are funded through restricted grants from HHS. Other grants and contracts are received from state and local government agencies. The grants and contracts for the current period are shown below.

Source	Grant Number	Period	Amount
U.S. Department of Health and Human Services	1H80CS00513-01	2/1/03- 1/31/04	\$ 1,902,164
U.S. Department of Health and Human Services	1P06HA00650-01	9/1/02 - 8/31/03	\$ 94,840
Louisiana State Department of Health (WIC Grant)	N/A	10/1/00 - 9/30/03	\$ 116,611

NOTE 11 - ACCOUNTS RECEIVABLE, GRANTS AND CONTRACTS

Grants and contracts receivable at January 31, 2004 are due from the following:

State of Louisiana Department of Health (WIC Program)	\$ 38,463
State of Louisiana Dept. of Health and Hospitals (Community Care)	<u>7,029</u>
Totals	<u>\$ 45,492</u>

NOTE 12 - CAPITAL LEASE PAYABLE

Outpatient Medical Center, Inc., leases a certain modular space facility and office equipment under capital leases expiring in 2005. The assets and liabilities under capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are included in the Plant Fund and depreciated over their estimated useful lives.

OUTPATIENT MEDICAL CENTERS, INC.
Notes to the Financial Statements
January 31, 2004

NOTE 12 - CAPITAL LEASE PAYABLE (Continued))

Future minimum lease payments under capital leases as of January 31, 2004 are as follows:

<u>Year Ending June</u>	<u>Amount</u>	
2005	<u>\$ 30,006</u>	
Total future lease payments	30,006	
Less: amount representing interest	<u>(2,107)</u>	
Net minimum lease payments		<u>\$ 27,899</u>

NOTE 13 - LONG-TERM NOTES PAYABLE

Mortgage notes payable consist of the following at January 31, 2004:

A. Note payable to Exchange Bank & Trust; interest stated at 8.5%; due in monthly installments of \$4,614 which includes principal and interest; matures December, 2010; secured by real estate	<u>\$ 261,271</u>
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Maturities of long-term debt are as follows:

2005	\$ 29,743
2006	32,817
2007	36,121
2008	39,758
2009	43,722
Thereafter	<u>79,110</u>
Totals	<u>\$ 261,271</u>

NOTE 14 - LITIGATION

Outpatient Medical Centers, Inc. maintains general liability, property, fidelity, managed care professional liability, directors and officers and other insurance coverage in amounts the Company believes to be adequate. The Company requires contracting health care providers to maintain malpractice insurance coverage in amounts customary in the industry.

In the ordinary course of its business, Outpatient Medical Centers, Inc. is a party to claims and legal actions by enrollees, providers and others. After consulting with legal counsel, the Company is of the opinion that any liability that may ultimately be incurred as a result of these claims, legal actions, audits or investigations will not have a material adverse effect on the financial position or results of operations of Outpatient Medical Centers, Inc.

OUTPATIENT MEDICAL CENTERS, INC.
Notes to the Financial Statements
January 31, 2004

NOTE 15 - REFUNDABLE ADVANCES

The Center records grant awards accounted for as exchange transactions as refundable advances until related services are performed, at which time they are recognized as revenue. The activity in the refundable advance account is reported as follows:

Refundable advances, beginning of year	\$ 283,142
Grant awards received (HHS - Health Center Cluster)	1,990,635
Grant expenditures	<u>(1,902,164)</u>
Refundable advances, end of year	<u>\$ 371,613</u>

NOTE 16 - PRIOR PERIOD ADJUSTMENT

Net assets at the beginning of fiscal year 2004 have been adjusted for write-offs of prior year accounts payable. The correction has no effect on the results of the current year's activities; however, the effect increases unrestricted net assets by \$18,000.

INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION

To the Board of Directors of
Outpatient Medical Centers, Inc.
Natchitoches, Louisiana

Our report on our audit of the basic financial statements of Outpatient Medical Centers, Inc. for the year ended January 31, 2004 appears on page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompany schedules, included as supplementary information in the table of contents is presented for purposes of additional analysis 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.

Banks, Finley, White & Co.

May 21, 2004

OUTPATIENT MEDICAL CENTERS, INC.
Combining Schedule of Support and Revenues
For the Year Ended January 31, 2004

	<u>HHS Section 330 Funds</u>	<u>HIV</u>	<u>WIC Program</u>	<u>Total</u>
SUPPORT AND REVENUES:				
Support:				
Grants and contracts	\$ <u>1,902,164</u>	<u>94,840</u>	<u>116,611</u>	\$ <u>2,113,615</u>
Total Support	<u>1,902,164</u>	<u>94,840</u>	<u>116,611</u>	<u>2,113,615</u>
Revenue:				
Health care services, net of charity, bad debts and adjustments of \$545,747	1,249,321	-	-	1,249,321
Interest income	522	-	-	522
Other income	<u>7,652</u>	<u>-</u>	<u>-</u>	<u>7,652</u>
Total Revenue	<u>1,257,495</u>	<u>-</u>	<u>-</u>	<u>1,257,495</u>
TOTAL SUPPORT AND REVENUES	<u>\$ 3,159,659</u>	<u>94,840</u>	<u>116,611</u>	<u>\$ 3,371,110</u>

SCHEDULE B

OUTPATIENT MEDICAL CENTERS, INC.
 Schedule of Health Care Services Expenses
 For the Year Ended January 31, 2004

<u>EXPENSES</u>	<u>HHS Section 330</u>	<u>HIV Grant</u>	<u>Total</u>
Personnel	\$ 918,104	11,408	\$ 929,512
Fringe benefits	89,702	873	90,575
Travel	14,080	1,981	16,061
Supplies	48,708	3,026	51,734
Equipment rental	765	-	765
Contractual	443,118	22,500	465,618
Equipment expense	1,378	6,062	7,440
Dues and subscriptions	1,793	-	1,793
Repairs and maintenance	5,328	1,614	6,942
Staff recruitment	19,940	-	19,940
Continuing education	2,050	-	2,050
Communications	614	-	614
License and fees	874	-	874
Bank and finance charges	36	-	36
Other	<u>2,776</u>	<u>-</u>	<u>2,776</u>
Total Expenses	\$ <u>1,549,266</u>	<u>47,464</u>	\$ <u>1,596,730</u>

SCHEDULE C

OUTPATIENT MEDICAL CENTERS, INC.
Schedule of Community Services Expenses
For the Year Ended January 31, 2004

<u>EXPENSES</u>	<u>WIC</u>
Personnel	\$ 63,272
Fringe benefits	8,593
Travel	7,200
Supplies	3,299
Equipment rental	625
Contractual	36,695
Repairs and maintenance	450
Continuing education	1,092
Communications	395
Space cost	6,700
Bank and finance charges	<u>78</u>
Total Expenses	<u>\$ 128,399</u>

SCHEDULE D

OUTPATIENT MEDICAL CENTERS, INC.
 Schedule of Management and General Expenses
 For the Year Ended January 31, 2004

<u>EXPENSES</u>	<u>HHS Section 33</u>
Personnel	\$ 474,023
Fringe benefits	136,196
Travel	76,632
Supplies	63,673
Equipment rental	21,816
Contractual	166,708
Equipment expense	19,009
Legal and accounting	16,204
Dues and subscriptions	21,946
Utilities	60,753
Repairs and maintenance	65,417
Insurance	18,999
Staff recruitment	11,682
Security	455
Continuing education	6,973
Communications	112,432
Janitorial	12,895
Space cost	30,183
Interest	41,069
Bank and finance charges	7,830
Board expenses	2,947
Property taxes	10,981
Other	<u>5,522</u>
 Total Expenses	 <u>\$ 1,384,345</u>

SCHEDULE E

OUTPATIENT MEDICAL CENTERS, INC.
 U. S. Department of Health and Human Services Grant
 Health Center Cluster Grant Number 1 H80 CS 00513-01
 Schedule of Budgeted, Incurred and Questioned Costs
 For the Year Ended January 31, 2004

<u>BUDGET CATEGORIES</u>	<u>BUDGET</u>	<u>COST INCURRED</u>	<u>COST (OVER) UNDER BUDGET</u>	<u>COST QUESTIONED</u>
Personnel	\$ 2,099,819	1,466,807	633,012	\$ -
Fringe benefits	331,864	235,364	96,500	-
Travel	-	99,893	(99,893)	-
Equipment	42,000	116,635	(74,635)	-
Supplies	143,223	192,213	(48,990)	-
Contractual	465,655	669,021	(203,366)	-
Other	<u>650,764</u>	<u>591,177</u>	<u>59,587</u>	<u>-</u>
Total	3,733,325	3,371,110	362,215	-
Less: Non-Federal Share	<u>1,742,690</u>	<u>1,468,946</u>	<u>273,744</u>	<u>-</u>
Federal Share	<u>\$ 1,990,635</u>	<u>1,902,164</u>	<u>88,471</u>	<u>\$ -</u>

OUTPATIENT MEDICAL CENTERS, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended January 31, 2004

Federal Grant/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grant Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Health Resource & Service Administration Bureau of Primary Health Care			
Direct Programs:			
Health Centers Cluster	93.224	2H80CS00513-02	\$ <u>1,902,164</u>
Title III HIV Capacity Building Grants	93.918C	1P06HA00650-01	<u>94,840</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,997,004</u>
<u>U. S. Department of Agriculture</u>			
Pass Through Louisiana State Dept. of Health			
Special Supplement Food Program for Women, Infants and Children	10.577	565123	<u>116,611</u>
TOTAL FEDERAL AWARDS			<u>\$ 2,113,615</u>

OUTPATIENT MEDICAL CENTERS, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended January 31, 2004

A. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the schedule) has been generally prepared on the accrual basis of accounting. The purpose of the schedule is to present a summary of those activities represented by Outpatient Medical Center, Inc., for the year ended January 31, 2004, which have been financed by the U.S. Government (federal awards). For the purpose of the schedule, federal awards include all federal assistance and procurement relationships entered into directly between Outpatient Medical Centers, Inc., Inc., it is not intended to and not does present either the financial position or the changes in net assets of Outpatient Medical Centers, Inc.

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

To the Board of Directors of
Outpatient Medical Centers, Inc.
Natchitoches, Louisiana

We have audited the financial statements of Outpatient Medical Centers, Inc., (a non-profit organization) as of and for the year ended January 31, 2004, and have issued our report thereon dated May 21, 2004. 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.

Compliance

As part obtaining reasonable assurance about whether Outpatient Medical Centers, Inc.'s, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Outpatient Medical Centers, Inc.'s, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgement, could adversely affect the organization's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2004-1.

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 internal control 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 as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization and 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.

Banks, Finley, White & Co.
May 21, 2004

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
Outpatient Medical Centers, Inc.
Natchitoches, Louisiana

Compliance

We have audited the compliance of Outpatient Medical Centers, Inc., (a non-profit organization) 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 program for the year ended January 31, 2004. Outpatient Medical Centers, Inc.'s, major federal programs are identified in the summary of auditor's 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 organization's management. Our responsibility is to express an opinion on the organization'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 organization'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 of the organization's compliance with those requirements.

In our opinion, Outpatient Medical Centers, Inc., 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 January 31, 2004.

Internal Control Over Compliance

The management of Outpatient Medical Centers, Inc., 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 organization'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 purposes of expressing our opinion on compliance and to test and report on 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 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 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.

This report is intended solely for the information of the Board of Directors, management, others within the organization and 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.

Banks, Finley, White & Co.

May 21, 2004

OUTPATIENT MEDICAL CENTERS, INC.
Summary Schedule of Prior Audit Findings
Year Ended January 31, 2004

There were no prior year findings.

OUTPATIENT MEDICAL CENTERS, INC.
Schedule of Findings and Questioned Costs
Year Ended January 31, 2004

Section 1: Summary of Auditor's Results

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the basic financial statements. | Unqualified |
| 2. | Material noncompliance relating to the basic financial statements. | None |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | None |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | | |
|----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | None |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | None |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133? | None |
| 7. | Federal programs identified as major programs: | |
| | a. CFDA #93.224, Health Center Cluster | |
| 8. | The dollar threshold used to distinguish between type A and Type B programs: \$300,000 | |
| 9. | Auditee did qualify as a low-risk auditee. | |

Section 2 - Findings - Financial Statements Audit

2004-1

Bank Reconciliations

Condition

During the audit, we noted that bank reconciliations for some accounts did not reconcile to the general ledger.

Cause

Bank reconciliations were not being completed monthly and in a timely manner. Untimely preparation of the reconciliations could delay correction of errors and detection of possible misstatements.

Effect

Some cash accounts were not reconciled

Criteria

OMB Circular A-110 Attachment E, Paragraph 2 (c) states: "Grantee financial management system shall provide for effective control over and accountability for all funds, property and other assets..."

Recommendation

The Center should follow their internal administrative controls and ensure that all bank accounts are reconciled monthly to the general ledger. This will help to ensure accuracy and timeliness.

Section 3 - Findings and Questioned Costs - Major Federal Award Program Audit

NONE



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Banks, Finley, White & Co
207 Amite St. Suite 503
Jackson, MS 39201

Re: Plan of Corrective Action in Response to FYE 1/31/2004 Audit Condition

To whom it may concern:

We acknowledge receipt of your financial statement audit condition for the year ended January 31, 2004 stating that "reconciliations for some accounts did not reconcile to the general ledger". Our response is as follows:

Cause

The basis of our problem was caused by instability in the accounting staff for much of the fiscal year. In April of 2003 the Accounting Manager, the only accountant in the finance department, abruptly left the organization. Our contractual CFO (currently providing service) was called in to complete the year-end financials for the January 31, 2003, the budget for the new fiscal year, January 2004, and to produce financials (for the period of time that the previous accounting manager leading up to her departure) that had not completed. This period of time was from January 2003 to April 2003.

Before financial information could be produced knowledge pertaining to operating the existing accounting system and processes had to be obtained, and was for the most part self-taught. Having to produce numerous reports, manage the 2003 audit and staff, and achieve certain deadlines to bring all information up to date did not allow secondary reviews to take place as the CFO handled all functions.

It was also a mandate that health organizations become HIPAA compliant by year-end 2003 and a new computer system was installed during this period of staff shortage.

Corrective Action

- Hired additional staff -The Executive Director in conjunction with the contractual CFO moved quickly to hire a new accountant in July. This accountant had a learning curve to overcome, but was quickly introduced to the necessary base processes of maintaining financial data integrity; reconciling cash was the first process to be restored. A permanent CFO was

also hired to add depth to the organization. This CFO resigned before two months of work was completed. The contractual CFO has returned to continue to provide training. A new accounts payable clerk, with an Accounting degree is being added to the financial staff on August 2.

- Developed new finance policies and procedures in December 2003.

Because of the accounting managers acquired experience (now one year), the pending addition of another accounting degreed employee (to begin August 2nd), and the reemergence of the contracting CFO, to provide guidance and implement policy, we have already corrected the condition with regard to account reconciliation. Our policies referred to above discusses the bank account reconciliation process in internal policy #407 in the "financial policy manual". Reconciliations occur monthly and are current as of this response. Furthermore our new staff accountant, starting August 2, will add depth to the Finance department and position us for sustained compliance of policies and reporting data integrity. Secondary reviews will also occur more frequently to catch errors or omissions.

Sincerely,


Richard B. Campbell
Interim CFO/ Consultant


Rose M. Turner
CEO

Enclosure