

**BAYOU COMPREHENSIVE  
HEALTH FOUNDATION, LTD  
Lake Charles, Louisiana**

**Financial And Compliance Report  
May 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 12-15-04

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Founded in 1978

## BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

### INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Bayou Comprehensive Health Foundation, Ltd.  
Lake Charles, Louisiana

We have audited the accompanying statements of financial position of Bayou Comprehensive Health Foundation, Ltd., (a non-profit organization) as of May 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 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 *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 the 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 in the first paragraph present fairly, in all material respects, the financial position of Bayou Comprehensive Health Foundation, Ltd. as of May 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 August 25, 2004, on our consideration of Bayou Comprehensive Health Foundation, Ltd.'s internal control structure and compliance with laws and regulations. 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 audit was performed for the purpose of forming an opinion on the basic financial statements of Bayou Comprehensive Health Foundation, Ltd. taken as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements of Bayou Comprehensive Health Foundation, Ltd. 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 also not a required part of the financial statements of Bayou Comprehensive Health Foundation, Ltd. 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.

*Broussard & Company*

Lake Charles, Louisiana  
August 25, 2004

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**BAYOU COMPREHENSIVE HEALTH FOUNDATION, LTD.**  
**Lake Charles, Louisiana**  
**Statements of Financial Position**  
**As of May 31,**

<b>Assets</b>	<b>2004</b>	<b>2003</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,967,986	\$ 1,458,710
Patient accounts receivable, net	345,070	325,323
Cost report receivable	-	384,262
Supplies inventory	43,019	16,087
Prepaid expenses	2,459	6,263
Due from provider	64,525	64,525
Other receivables	2,916	3,151
	<b>2,425,975</b>	<b>2,258,321</b>
<b>Property, Plant and Equipment</b>		
Furniture and equipment	895,735	1,007,392
Building and improvements	1,211,955	1,163,381
Automobiles	18,479	18,479
	2,126,169	2,189,252
Less accumulated depreciation	(1,109,090)	(1,352,846)
	1,017,079	836,406
Land	80,917	80,917
	<b>1,097,996</b>	<b>917,323</b>
<b>Other Assets</b>		
Deposits	-	2,893
Certificate of deposit	279,859	100,513
	<b>\$ 3,803,830</b>	<b>\$ 3,279,050</b>

See accompanying notes to financial statements.

**BAYOU COMPREHENSIVE HEALTH FOUNDATION, LTD.**  
**Lake Charles, Louisiana**  
**Statements of Financial Position (Continued)**  
**As of May 31,**

	2004	2003
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 48,186	\$ 70,705
Accrued vacation and payroll	95,053	67,498
Payroll taxes payable	14,240	12,176
Accrued interest payable	1,345	1,376
Physician incentive payable	150,454	150,454
Deferred grant income	-	40,542
Current portion of notes payable	51,860	49,037
Current portion of obligations under capital lease	22,678	24,343
Other payables	-	1,234
	383,816	417,365
<b>Long Term Liabilities</b>		
Notes payable - net of current portion	508,791	560,105
	892,607	977,470
<b>Net Assets</b>		
Unrestricted net assets	2,911,223	2,301,580
	\$ 3,803,830	\$ 3,279,050

See accompanying notes to financial statements.

**BAYOU COMPREHENSIVE HEALTH FOUNDATION, LTD.**  
**Lake Charles, Louisiana**  
**Statements of Activities**  
**As of May 31,**

	2004	2003
<b>Revenue and Support</b>		
Revenue:		
Net patient service revenue	\$ 2,461,324	\$ 2,468,565
Support:		
Grant awards	1,053,491	1,051,434
Contributions	20,801	14,318
Other income	29,068	28,548
Total Support	1,103,360	1,094,300
Total Revenue and Support	3,564,684	3,562,865
<b>Expenses</b>		
Program Services:		
Medical	1,581,137	1,493,536
Ancillary	274,905	139,895
Enabling services	73,155	64,418
WIC program	78,916	71,258
Total Program Services	2,008,113	1,769,108
Support Services:		
General and administrative	946,928	952,816
Total Expenses	2,955,041	2,721,924
Change in Net Assets	609,643	840,941
Net Assets - Beginning of Year	2,301,580	1,460,639
Net Assets - End of Year	\$ 2,911,223	\$ 2,301,580

See accompanying notes to financial statements.

**BAYOU COMPREHENSIVE HEALTH FOUNDATION, LTD.**  
**Lake Charles, Louisiana**  
**Statements of Cash Flows**  
**As of May 31,**

	2004	2003
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 609,643	\$ 840,941
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	72,826	92,729
Change in allowance for doubtful accounts	25,323	(4,206)
(Increase) in accounts receivable	(45,070)	(91,451)
(Increase) decrease in cost report receivable	384,262	421,807
(Increase) decrease in other receivables	235	(3,150)
(Increase) decrease in supplies inventory	(26,932)	(8,294)
(Increase) decrease in prepaid expenses	3,804	(1,511)
(Increase) decrease in deposits	2,893	14,516
(Decrease) in accounts payable	(22,519)	(25,596)
(Decrease) in accrued vacation and payroll	27,555	(44,150)
(Decrease) in other payables	799	(22,539)
Increase (Decrease) in deferred grant income	(40,542)	40,000
Other	-	(503)
	992,277	1,208,593
<b>Net Cash Provided (Used) by Operating Activities</b>		
<b>Cash Flows From Investing Activities</b>		
Purchase of certificate of deposit	(179,345)	(100,000)
Fixed asset acquisitions	(253,500)	(38,161)
	(432,845)	(138,161)
<b>Net Cash Provided (Used) by Investing Activities</b>		
<b>Cash Flows From Financing Activities</b>		
Principal payments on bank loans	(48,491)	(68,597)
Principal payments on capital leases	(1,665)	(33,948)
	(50,156)	(102,545)
<b>Net Cash Provided (Used) by Financing Activities</b>		
<b>Net Increase in Cash and Cash Equivalents</b>	509,276	967,887
Cash and Cash Equivalents - Beginning of Year	1,458,710	490,823
Cash and Cash Equivalents - End of Year	\$ 1,967,986	\$ 1,458,710
<b>Supplemental Disclosure:</b>		
Interest paid	\$ 34,700	\$ 69,085

See accompanying notes to financial statements.

**BAYOU COMPREHENSIVE HEALTH FOUNDATION, LTD.**

Lake Charles, Louisiana

**Statements of Functional Expenses**

**For the Year Ended May 31, 2004**

	Program Services				Supporting	2004	Total 2003
	Medical	Ancillary	Enabling Services	WIC Program	Services		
					General and Administrative		
Salaries	663,991	88,096	48,091	56,688	438,319	1,295,185	1,379,264
Fringe benefits	22,770	3,892	3,703	4,773	50,510	85,648	76,270
Payroll taxes	49,332	6,186	3,525	3,999	36,262	99,304	97,680
Consultants and contractual services	736,523	79,749	3,725	1,251	54,299	875,547	677,978
Supplies	23,326	85,994	2,366	3,947	35,059	150,692	65,382
Dues and subscriptions/printing	13,001	1,056	1,074	2,547	25,585	43,263	11,860
Maintenance and repairs	1,297	1,790	311	249	3,477	7,124	3,600
Telephone	18,029	2,594	-	1,995	7,017	29,635	26,398
Postage	77	-	-	-	8,102	8,179	5,717
Insurance	5,967	918	459	459	4,622	12,425	11,603
Travel and seminars	2,824	-	1,233	-	30,056	34,113	30,767
Taxes and licenses	-	728	-	-	5,776	6,504	1,099
Utilities	9,778	1,880	2,444	2,256	3,746	20,104	18,381
Interest	-	-	-	-	34,669	34,669	58,326
Legal and professional	12,178	1,425	3,760	752	6,952	25,067	23,542
Rent - equipment	-	597	-	-	3,476	4,073	25,553
Miscellaneous	557	-	-	-	52,441	52,998	34,307
Service charges	-	-	-	-	15,584	15,584	1,290
Fuel cost	-	-	-	-	748	748	786
Recruitment cost	1,015	-	-	-	344	1,359	16,594
Total expenses before depreciation, bad debts and loss on disposal of equipment	1,560,665	274,905	70,691	78,916	817,044	2,802,221	2,566,397
Depreciation and amortization	20,472	-	2,464	-	49,890	72,826	92,729
Bad debt expense	-	-	-	-	79,994	79,994	63,598
Loss (gain) on disposal of equipment	-	-	-	-	-	-	(800)
Total expenses	1,581,137	274,905	73,155	78,916	946,928	2,955,041	2,721,924



**BAYOU COMPREHENSIVE HEALTH FOUNDATION, LTD.**

**Lake Charles, Louisiana**

**Notes to Financial Statements**

**May 31, 2004 and 2003**

**NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Bayou Comprehensive Health Foundation, Ltd. (a nonprofit corporation) operates as Southwest Louisiana Center for Health Services. The Organization was incorporated May 1, 1978 to provide comprehensive health care to area residents, with particular emphasis on the socio-economically disadvantaged.

The Organization is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code.

**Method of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles.

**Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Organization considers all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

**Property and Equipment**

Property and equipment is stated at cost. It is the Organization's policy to capitalize expenditures for these items in excess of \$500. Depreciation of property and equipment is computed principally by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building	30
Equipment, furniture and fixtures	3 - 20
Vehicles	5

**BAYOU COMPREHENSIVE HEALTH FOUNDATION, LTD.**  
**Lake Charles, Louisiana**  
**Notes to Financial Statements (Continued)**  
**May 31, 2004 and 2003**

**NOTE 1 - NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**Functional Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Accounts Receivable**

The Organization records accounts receivable at the time of service according to fees developed from cost data of this and similar organizations. These amounts are often reduced because of the patients' inability to pay or because of disallowances and reductions from third party payors.

**Bad Debts**

The Organization uses the allowance method in accounting for its un-collectible accounts.

**Inventory**

Supply inventories are stated at lower of cost, determined by the FIFO method, or market.

**Net Patient Service Revenue**

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

**NOTE 2 - PATIENT ACCOUNTS RECEIVABLE**

Patient accounts receivable are comprised of the following for the years ending May 31,:

	2004	2003
Medicare	\$ 34,599	\$ 68,633
Medicaid	238,460	169,578
Private	198,315	188,094
	<u>471,374</u>	<u>426,305</u>
Less allowance for doubtful accounts	126,304	100,981
	<u>\$ 345,070</u>	<u>\$ 325,324</u>

**BAYOU COMPREHENSIVE HEALTH FOUNDATION, LTD.**  
**Lake Charles, Louisiana**  
**Notes to Financial Statements (Continued)**  
**May 31, 2004 and 2003**

**NOTE 3 - COST REPORT RECEIVABLE**

The Organization participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Organization participates in the Medicaid program as a federally qualified health center. Final settlements will be made upon completion of audits by program representatives.

**NOTE 4 - DUE FROM PROVIDER**

The Organization estimates the amount collectible from a medical provider formerly employed by the Organization to be \$64,525. The receivable of \$64,525 relates to third party payments to the physician's provider number, rather than the Organization's group number.

**NOTE 5 - ACCRUED VACATION**

The Organization allows employees to carry over unused vacation hours, with written permission from the executive director. The accrual is calculated based on the employee's pay rate at the end of the year. At May 31, 2004 and 2003, accrued vacation totaled \$61,195 and \$45,587, respectively.

**NOTE 6 - NOTES PAYABLE**

Notes payable for the twelve months ended May 31, 2004 consisted of the following:

Bank note payable, due in 35 equal monthly installments of \$6,859.55 and one final installment due January, 2006 of \$480,312.80, including interest at 5.67%, collateralized by real estate with a carrying value of \$741,886.	\$ 560,651
Less current portion	<u>(51,860)</u>
Long-term debt	<u>\$ 508,791</u>

Maturities of debt are as follows:

May 31,	Amount
2005	\$ 51,860
2006	<u>508,791</u>
Total	<u>\$ 560,651</u>

**BAYOU COMPREHENSIVE HEALTH FOUNDATION, LTD.**  
**Lake Charles, Louisiana**  
**Notes to Financial Statements (Continued)**  
**May 31, 2004 and 2003**

**NOTE 7 - CAPITAL LEASES**

The Organization has the following capital lease obligations outstanding as of May 31, 2004:

Finova Leasing Corporation, due in 60 monthly installments of \$3,945, including interest at 14.85%, collateralized by a building	\$ 22,678
Less current portion	<u>(22,678)</u>
Obligations under capital lease, net of current portion	<u>\$ -0-</u>

Scheduled payments are as follows:

May 31,	Amount
2005	\$ 23,670
Less: Amount Representing Interest Present Value of Future Minimum	<u>992</u>
Less Payments	<u>\$ 22,678</u>

Building and equipment under capital lease obligations as of the May 31, 2004 and 2003 totaled \$181,108 and \$231,091, respectively. Accumulated depreciation for the years ended May 31, 2004 and 2003 totaled \$63,388 and \$99,003, respectively.

The lease agreement with the lessor contains terms pertaining to payments being made when due. At May 31, 2004, the Organization was in breach of the terms requiring payments to be made when due. Under the terms of the agreement, the lessor may accelerate the balance due under the agreement. As of May 31, 2004, the lessor has not waived the payment requirement, and accordingly, the entire amount of the lease has been included in current liabilities.

**BAYOU COMPREHENSIVE HEALTH FOUNDATION, LTD.**  
**Lake Charles, Louisiana**  
**Notes to Financial Statements (Continued)**  
**May 31, 2004 and 2003**

**NOTE 8 - ECONOMIC DEPENDENCY**

The Organization receives a substantial portion of its total support and revenues from the federal government. During the years ended May 31, 2004 and 2003, Bayou Comprehensive Health Foundation, Ltd. recorded \$1,003,491 and \$1,051,434, respectively, in grant support from the Department of Health and Human Services. This represents 28.1% and 29.5% of total support and revenues for the years ended May 31, 2004 and 2003, respectively.

**NOTE 9 - CONCENTRATIONS OF CREDIT RISK**

The Organization maintains several bank accounts at various banks. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash at several of these institutions exceeded federally insured limits by \$1,707,259 as of May 31, 2004 and \$1,027,030 as of the May 31, 2003. Subsequent to May 31, 2004, the Organization opened several new accounts with additional banks to further reduce amounts exceeding FDIC limits.

The majority of the Organization's patients are located in Southwest Louisiana. The Organization grants credit without collateral to its patients. A significant number of them are covered by Medicaid.

**NOTE 10 - LITIGATION**

The Organization is a defendant in a lawsuit filed by a former employee. The lawsuit alleges breach of contract as well as that the former employee is still due compensation associated with his employment. The suit did not specify total damages sought. Outside counsel for the Organization has advised that at this stage in the proceedings he cannot offer an opinion as to the probable outcome.

**NOTE 11 - FUNCTIONAL ALLOCATION OF EXPENSES**

Expenses were allocated in the accompanying financial statements to program and supporting service functional expense groups. The methods of allocation were based on several factors such as utilization of office space as well as the Organization's estimates of the relative proportion of various staff members' time and effort between program and administrative functions.

**BAYOU COMPREHENSIVE HEALTH FOUNDATION, LTD.**  
**Lake Charles, Louisiana**  
**Notes to Financial Statements (Continued)**  
**May 31, 2004 and 2003**

**NOTE 12 – DEFERRED GRANT INCOME**

Deferred grant income as of May 31, 2003 includes \$40,000 of grant income from State of Louisiana – Governor’s Office of Urban Affairs & Development (CFMS# 592005). A total of \$50,000 of grant income was recognized from the above referenced grant for the fiscal year ended May 31, 2004.

**NOTE 13 – CHARITY CARE**

The Organization provides care to patients who qualify under federal guidelines and other policies of the Organization at fees less than its established rates. The amount of charity care is reduced from the amount of fees for services presented in the statement of activities. The amount of charity care for the years ended May 31, 2004 and 2003 were \$471,683 and \$202,312.

**BAYOU COMPREHENSIVE HEALTH FOUNDATION, LTD.**

**Schedule of Expenditures of Federal Awards  
Year Ended May 31, 2004**

<u>Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Program Year</u>	<u>Program Receipts</u>	<u>Program Expenses</u>
U.S. Department of Health and Human Services:					
Direct programs:					
Community Health Center Section 330	93.224	H80 CS 00558-02-01	6/1/03 - 5/31/04	\$ 1,003,491	\$ 1,003,491
U.S. Department of Agriculture: Passed through:					
Louisiana Department of Health and Hospitals: Office of Public Health	10.572		10/1/03 - 9/30/04	<u>62,638</u>	<u>62,638</u>
Total federal assistance				<u>\$ 1,066,129</u>	<u>\$ 1,066,129</u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Bayou Comprehensive Health Foundation, LTD., and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Certain costs have been allocated to the federal program in accordance with OMB Circular A-122, Cost Principles for Non-Profit Organizations. The amounts presented in this schedule do not differ from amounts presented in, or used in the preparation of the financial statements.



Founded in 1978

## BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

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

Board of Directors  
Bayou Comprehensive Health Foundation, Ltd.  
Lake Charles, Louisiana

We have audited the financial statements of Bayou Comprehensive Health Foundation, Ltd. (a nonprofit organization) as of and for the May 31, 2004, and have issued our report thereon dated August 25, 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 of obtaining reasonable assurance about whether Bayou Comprehensive Health Foundation, Ltd.'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 test 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 Bayou Comprehensive Health Foundation, Ltd.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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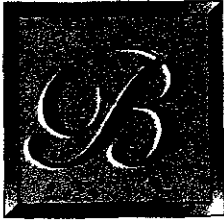


Board of Directors  
Bayou Comprehensive Health Foundation, Ltd.  
Lake Charles, Louisiana  
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This report is intended solely for the information of the audit committee, management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Broussard & Company*

Lake Charles, Louisiana  
August 25, 2004



Founded in 1978

## BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

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

The Board of Directors  
Bayou Comprehensive Health Foundation, Ltd.  
Lake Charles, Louisiana

#### Compliance

We have audited the compliance of Bayou Comprehensive Health Foundation, Ltd., 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 May 31, 2004. Bayou Comprehensive Health Foundation, Ltd.'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 Bayou Comprehensive Health Foundation, Ltd.'s, management. Our responsibility is to express an opinion on Bayou Comprehensive Health Foundation, Ltd.'s, compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards 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 non-compliance 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 Bayou Comprehensive Health Foundation, Ltd.'s, compliance with those requirements 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 Bayou Comprehensive Health Foundation, Ltd.'s, compliance with those requirements.

In our opinion, Bayou Comprehensive Health Foundation, Ltd., complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the May 31, 2004.

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Internal Control Over Compliance

The management of Bayou Comprehensive Health Foundation, Ltd., is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Bayou Comprehensive Health Foundation, Ltd.'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 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 audit committee, management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Broussard & Company*

Lake Charles, Louisiana  
August 25, 2004

**BAYOU COMPREHENSIVE HEALTH FOUNDATION, LTD.**

**Schedule of Findings and Questioned Cost  
Year Ended May 31, 2004**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditor's report issued				Unqualified
Internal control over financial reporting:				
Material weaknesses identified?	___	Yes	<u>  x  </u>	No
Reportable conditions identified not considered to be material weaknesses?	___	Yes	<u>  x  </u>	None reported
Noncompliance material to financial statements noted?	___	Yes	<u>  x  </u>	No

Federal Awards

Internal control over major programs:				
Material weaknesses identified?	___	Yes	<u>  x  </u>	No
Reportable conditions identified not considered to be material weaknesses?	___	Yes	<u>  x  </u>	None reported
Type of auditor's report issued on compliance for major programs:				Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	___	Yes	<u>  x  </u>	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.224	US Department of Health and Human Services, Community Health Center Section 330

Dollar threshold used to distinguish between Type A and Type B programs: \$500,000

Auditee qualified as low-risk auditee?      Yes   x   No

**BAYOU COMPREHENSIVE HEALTH FOUNDATION, LTD.**

**Summary Schedule of Prior Year Findings and Questioned Costs  
Year Ended May 31, 2003**

DEPARTMENT OF HEALTH AND HUMAN SERVICES

02-1 The Department of Health and Human Services (DHH) found the Organization to be out of compliance with three of eight indicator measures established by DHH.

Corrective action has been taken.