

**SOUTHEASTERN LOUISIANA  
AREA HEALTH EDUCATION CENTER**

Audit of Financial Statements

June 30, 2019



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## **Independent Auditor's Report**

To the Board of Directors  
Southeastern Louisiana Area Health Education Center  
Hammond, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Southeastern Louisiana Area Health Education Center (the Center), which comprise the statement of financial position as of June 30, 2019, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **LOUISIANA • TEXAS**

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, in 2018, the Center adopted the Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

**Other Matters*****Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to agency head and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019, on our consideration of the Center'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 solely 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 effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA  
December 9, 2019

**SOUTHEASTERN LOUISIANA AREA HEALTH  
EDUCATION CENTER**  
Statement of Financial Position  
June 30, 2019

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**Assets**

Cash and Cash Equivalents	\$ 553,255
Certificate of Deposit	95,079
Grants Receivable	5,192,147
Notes Receivable, Net of Allowance	2,065,765
Other Assets	165,062
Prepaid Expenses	16,562
Deposits	300
Fixed Assets, Net	<u>379,415</u>

<b>Total Assets</b>	<b>\$ <u>8,467,585</u></b>
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**Liabilities**

Accounts Payable and Accrued Liabilities	\$ 1,507,318
Deferred Revenue	157,158
Line of Credit	1,235,597
Notes Payable	<u>300,000</u>

<b>Total Liabilities</b>	<b><u>3,200,073</u></b>
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**Net Assets**

Without Donor Restrictions	<u>5,267,512</u>
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<b>Total Liabilities and Net Assets</b>	<b>\$ <u>8,467,585</u></b>
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The accompanying notes are an integral part of these financial statements.

**SOUTHEASTERN LOUISIANA AREA HEALTH  
EDUCATION CENTER**  
Statement of Activities  
For the Year Ended June 30, 2019

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**Net Assets Without Donor Restrictions**

**Support and Revenue**

Cooperative Endeavor with LSUMC - State Portion	\$ 356,149
Cooperative Endeavor with LSUMC - Federal Portion	78,319
Federal Grant Revenue	3,410,754
Grants Revenue - State and Private	17,937,086
Contract Revenue	1,533,406
Interest and Other Income	237,841

<b>Total Support and Revenue</b>	<u>23,553,555</u>
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**Expenses**

**Program Services**

Area Health Education	21,597,231
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**Supporting Services**

Management and General	<u>1,605,540</u>
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<b>Total Expenses</b>	<u>23,202,771</u>
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<b>Change in Net Assets Without Donor Restrictions</b>	350,784
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<b>Net Assets, Beginning of Year</b>	<u>4,916,728</u>
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<b>Net Assets, End of Year</b>	<u><u>\$ 5,267,512</u></u>
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The accompanying notes are an integral part of these financial statements.

**SOUTHEASTERN LOUISIANA AREA HEALTH  
EDUCATION CENTER**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2019**

	<b>Program Services</b>	<b>Supporting Services</b>	
	<b>Area Health Education</b>	<b>Management and General</b>	<b>Total</b>
Salaries and Related Benefits	\$ 15,688,531	\$ 954,580	\$ 16,643,111
Professional Fees	2,048,399	10,781	2,059,180
Administrative Services	1,504,575	-	1,504,575
Travel	865,108	38,776	903,884
Supplies and Maintenance	628,657	173,437	802,094
Rent	249,015	51,900	300,915
Operating Service Expense	251,273	21,733	273,006
Telephone and Communication	198,087	27,300	225,387
Equipment Expense	47,814	40,435	88,249
Interest	-	86,582	86,582
Other	57,374	19,949	77,323
Consulting Fees	19,200	50,000	69,200
Contractual	-	35,058	35,058
Depreciation	-	26,426	26,426
Insurance	4,600	21,457	26,057
Postage	20,038	3,277	23,315
Utilities	9,347	9,915	19,262
Advertising and Public Relations	-	15,109	15,109
Dues and Subscription	-	8,899	8,899
Bank Fees	-	8,883	8,883
Professional Development	3,969	-	3,969
Printing	1,244	-	1,244
Legal Fees	-	1,043	1,043
<b>Total Expenses by Function</b>	<b>\$ 21,597,231</b>	<b>\$ 1,605,540</b>	<b>\$ 23,202,771</b>

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

**SOUTHEASTERN LOUISIANA AREA HEALTH  
EDUCATION CENTER**  
Statement of Cash Flows  
For the Year Ended June 30, 2019

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**Cash Flows from Operating Activities**

Change in Net Assets Without Donor Restrictions	\$ 350,784
Adjustments to Reconcile Change in Net Assets Without Donor Restrictions to Net Cash Used in Operating Activities	
Depreciation	26,426
(Increase) Decrease in Assets	
Grants Receivable	(935,968)
Prepaid Expenses	16,365
Increase (Decrease) in Liabilities	
Accounts Payable and Accrued Liabilities	187,447
Deferred Revenue	28,211

<b>Net Cash Used in Operating Activities</b>	<u>(326,735)</u>
----------------------------------------------	------------------

**Cash Flows from Investing Activities**

Increase in Notes Receivable	(42,941)
Purchase of Certificate of Deposit	(15,062)
Purchase of Fixed Assets	<u>(145,379)</u>

<b>Net Cash Used in Investing Activities</b>	<u>(203,382)</u>
----------------------------------------------	------------------

**Cash Flows from Financing Activities**

Payments on Notes Payable	(15,277)
Proceeds on Line of Credit	15,141,976
Payments on Line of Credit	<u>(14,348,531)</u>

<b>Net Cash Provided by Financing Activities</b>	<u>778,168</u>
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<b>Net Increase in Cash and Cash Equivalents</b>	248,051
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<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>305,204</u>
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<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 553,255</u></u>
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**Supplemental Disclosure**

Cash Paid for Interest	<u><u>\$ 86,582</u></u>
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The accompanying notes are an integral part of these financial statements.

# **SOUTHEASTERN LOUISIANA AREA HEALTH EDUCATION CENTER**

## **Notes to Financial Statements**

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### **Note 1. Summary of Significant Accounting Policies**

#### **Organization**

Southeastern Louisiana Area Health Education Center (the Center), formerly known as Southeastern Louisiana Area Health Education Foundation, is a Louisiana non-profit organization originally chartered on June 22, 1989. Its purpose is to operate an area health education center in southeastern Louisiana, in order to plan for additional clinical educational opportunities in rural and underserved communities. The Center provides the following program activities: serves as a bridge between Schools of Health Professions, health providers, and communities; conducts "needs assessments" to determine health care manpower needs and help communities fill those through a "grow your own approach"; organizes linkages with others to provide clinical training sites for students in medicine, nursing, allied health, and dentistry; recruits and retains health care professionals in rural and underserved areas; educates and attracts students, especially those under-represented, to careers in medicine, nursing, dentistry, and allied health fields; sponsor adult and student health career fairs, summer health career camps, and elementary school health education programs; and presents affordable, high quality educational seminars and community education on health care issues for professionals and the public.

#### **Federal Income Taxes**

The Center is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code.

#### **Basis of Accounting**

The Center prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, involving the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

#### **Basis of Presentation**

The Center follows the provisions of the *Not-for-Profit Organizations* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under the *Not-for-Profit Organizations* Topic of the FASB ASC, the Center is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. As of June 30, 2019, there are no net assets with donor restrictions.

#### **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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# **SOUTHEASTERN LOUISIANA AREA HEALTH EDUCATION CENTER**

## **Notes to Financial Statements**

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **Contributions**

Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions. Once expended for their restricted purpose, these restricted net assets are released to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment is recorded at fair value at the date of donation. In the absence of donor-imposed stipulations regarding how long the contributed asset must be used, the Center has adopted a policy of implying a time restriction on contributions of such assets that expires over the assets' useful lives.

#### **Donated Goods and Services**

Organizations are required to recognize as revenue and related expense, services received if the organization would typically need to purchase the services if not received as donations. No amounts have been reflected in the financial statements for donated goods and services because there was either no objective basis available to measure their value or the value given was immaterial to the financial statements taken as a whole.

#### **Revenue and Expenses**

Support for the Center is provided primarily by the Louisiana State University and Agricultural and Mechanical College, acting on behalf of the Louisiana State University Medical Center (LSUMC), by federal grants received either directly from federal agencies or passed through state and local governmental agencies, and by contracts and agreements signed with various state agencies to provide support personnel. Interest income is also generated by the Rural Loan Fund.

Expenditures pertaining to the funding provided by LSUMC are to be made in accordance with a budget, which has been adopted and made a part of the cooperative endeavor with LSUMC. The Center is to be reimbursed by LSUMC for costs incurred in carrying out the provisions of the agreement.

For federal and state grants administered on a cost-reimbursement basis, revenue is recognized as allowable expenditures are incurred.

# **SOUTHEASTERN LOUISIANA AREA HEALTH EDUCATION CENTER**

## **Notes to Financial Statements**

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **Fixed Assets**

Effective with the October 1, 1994, cooperative endeavor between LSUMC and the Center, title to equipment purchased with these funds is to remain with the Center. Prior to October 1, 1994, title to equipment purchased with these funds was to remain with LSUMC. Therefore, equipment purchased with funds provided by LSUMC during the fiscal year ended June 30, 2019, has been capitalized and recorded in the statement of financial position. In addition, the costs of automobiles, furniture, and office equipment purchased with funds provided by federal award programs have been capitalized and recorded in the statement of financial position. Acquisitions of property and equipment in excess of \$1,000 and an economic useful life greater than one year are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows: building and building improvements - 30 years, furniture and equipment - 5 to 7 years, and vehicles - 3 to 5 years.

#### **Notes Receivable**

Notes receivable (related to the Rural Loan Fund) are stated at their principal balances outstanding. Interest income on notes receivable is recognized using the interest method. An allowance is established in an amount that management believes will be adequate to absorb possible losses on existing notes that may become uncollectible, based on evaluation of the collectability and prior loss experience. The evaluations take into consideration such factors as current economic conditions that may affect the borrowers' ability to pay.

#### **Cash Flow Information**

The Center considers all short-term investments with an original maturity of three months or less to be cash equivalents. The Center did not make any cash payments for income taxes during the year ended June 30, 2019.

#### **Functional Expenses**

The cost of providing the Center's various programs and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses are first allocated by direct identification and then allocation if an expenditure benefits more than one program or function. As of June 30, 2019, all expenses were allocated by direct identification and not allocated.

#### **Advertising Costs**

Advertising costs are expensed as incurred. There were no advertising expenses for the year.

**SOUTHEASTERN LOUISIANA AREA HEALTH  
EDUCATION CENTER**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Recent Accounting Pronouncements - Adopted**

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Center implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The adoption of the ASU resulted in no reclassification of net assets.

**Recent Accounting Pronouncements - Not Yet Adopted**

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled to when products are transferred to customers. ASU 2014-09 will be effective for the Center beginning in the year ending June 30, 2020, though early adoption is permitted. The new revenue standard may be applied retrospectively as of the date of adoption. Management is currently evaluating the impact of adopting the new revenue standard on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15, 2019. Management does not expect ASU 2016-02 to have a significant impact on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 will clarify and improve current guidance about whether a transfer of assets, or the reduction, settlement or cancellation of liabilities, is a contribution or an exchange transaction. ASU 2018-08 is effective for the Center on July 1, 2020. Management is currently evaluating the impact of ASU 2018-08 will have on the financial statements.

# **SOUTHEASTERN LOUISIANA AREA HEALTH EDUCATION CENTER**

## **Notes to Financial Statements**

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### **Note 2. Cash and Cash Equivalents**

The Center periodically maintains cash in bank accounts in excess of the federally insured limits. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account category per financial institution. At June 30, 2019, respectively, approximately \$180,000 of cash and cash equivalents were uninsured. The Center has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

### **Note 3. Notes Receivable**

The Center operates the Rural Loan Fund Program to assist rural health clinics and hospitals obtain low-interest loans to assist in obtaining necessary equipment and facilities to enhance their ability to provide high-quality health care to residents in rural areas of the State of Louisiana.

At June 30, 2019, the Center had seventeen notes outstanding, totaling \$2,084,265. At June 30, 2019, all seventeen notes were classified as current. The seventeen notes have interest rates of approximately 4% to 7%, with maturities ranging from 2019 to 2027.

During the year ended June 30, 2019, the Center conducted a review of its notes receivable and has recorded an allowance for doubtful accounts of \$18,500.

### **Note 4. Fixed Assets**

As of June 30, 2019, fixed assets consisted of the following:

Buildings	\$ 547,639
Office Equipment	115,336
Office Furniture	51,582
Vehicles	127,778
	<hr/>
	842,335
Less: Accumulated Depreciation	(462,920)
	<hr/>
<b>Total</b>	<b>\$ 379,415</b>

All capitalized assets are depreciated using the straight-line basis over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2019, totaled \$26,426.

Not included in fixed assets is approximately \$460,000 of medical reference books and journals which were donated to the Center during the year ended June 30, 2015. No value has been recorded within the financial statements for this donation as these items have been accepted for their potential future use in scientific and educational research.

# **SOUTHEASTERN LOUISIANA AREA HEALTH EDUCATION CENTER**

## **Notes to Financial Statements**

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### **Note 5. Line of Credit and Notes Payable**

The Center has a line of credit in the amount of \$2,000,000. The line bears interest at the Index (5.5% at June 30, 2019) and matures March 10, 2020. As of June 30, 2019, the balance outstanding on the line of credit was \$1,235,597.

The Center has a \$300,000 note payable from the LPFA. The note is non-interest bearing, and the entire principal balance of \$300,000 is due in July 2022.

### **Note 6. Retirement Plan**

The Center established an employer sponsored 403(b) annuity plan (the Plan) effective October 1, 1990, to provide retirement benefits for employees of the Center and the payment of benefits to employees and their beneficiaries. The Center's contribution was 7% of the employees' salaries during the year ended June 30, 2019. Additionally, an amount determined by resolution of the Board of Directors of the Center may be contributed to the Plan. The contribution to the Plan for the year ended June 30, 2019, amounted to \$807,963.

In October 2014, the Center established a 457(b) deferred compensation plan covering the CEO, CFO, and certain senior staff. In June 2016, the Center approved to add Directors to the Plan. The contributions for the Plan during the year totaled \$48,000. The only eligible employees are the CEO, CFO, and Directors.

### **Note 7. Operating Leases**

The Center has operating leases for office space and office equipment. Lease expense for office equipment and office space for the year ended June 30, 2019 was \$31,543.

Future minimum lease payments on office equipment and office space for the years ending June 30, 2020 and 2021 are \$28,900 and \$2,700, respectively.

### **Note 8. Uncertain Tax Positions**

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Center believes it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements. Penalties and interests assessed by income taxing authorities, if any, would be included in income tax expense.

**SOUTHEASTERN LOUISIANA AREA HEALTH  
EDUCATION CENTER**

**Notes to Financial Statements**

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**Note 9. Liquidity and Availability**

The Center regularly monitors liquidity required to meet its operating needs and other contractual commitments. Expenditures are generally met within 30 days, utilizing the financial resources the Center has available. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, consist of the following:

Cash and Cash Equivalents	\$ 553,255
Certificate of Deposit	95,079
Grants Receivable	<u>5,192,147</u>
<b>Total</b>	<b><u>\$ 5,840,481</u></b>

**Note 10. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 9, 2019, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

## **SUPPLEMENTARY INFORMATION**

**SOUTHEASTERN LOUISIANA AREA HEALTH  
EDUCATION CENTER**  
Supplementary Information  
Schedule of Compensation, Benefits, and Other Payments to Agency Head  
For the Year Ended June 30, 2019

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**Agency Head**  
Brian P. Jakes, Sr., CEO

<b>Purpose</b>	<b>Amount</b>
Salary	\$116,396
Benefits - Insurance	\$7,135
Benefits - Retirement	\$27,148
Benefits - Other	\$2,158
Car Allowance	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Business Cell Phone	\$2,541
Special Meals	\$0

Louisiana Revised Statute 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees to be reported as a supplemental report within the financial statement of local government and quasi-public auditees. In 2015, Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended L.R.S. 24:513(A)(3) to clarify that nongovernmental entities or not-for-profit entities that received public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

## **UNIFORM GUIDANCE SECTION**

**SOUTHEASTERN LOUISIANA AREA HEALTH  
EDUCATION CENTER**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**

<b>Federal Grantor/Pass- Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity's Identifying Number</b>	<b>Federal Revenue Recognized</b>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed through Louisiana State University Medical Center:			
Area Health Education Centers Point of Service Maintenance and Enhancement Awards	93.107	72608770A1	\$ 78,319
Passed through City of New Orleans - Office of Health Policy:			
HIV Emergency Relief Project Grants - Ryan White HIV/AIDS Treatment	93.914	980HP0014C	737,701
Passed through New Orleans Regional AIDS Planning Council:			
HIV Emergency Relief Project Grants - Ryan White HIV/AIDS Treatment	93.914	980HP0014C	371,693
Passed through Florida Parishes Human Services Authority:			
Block Grants for Community Mental Health Services	93.958	721155014-00	32,897
<b>Total - U.S. Department of Health and Human Services</b>			<b>1,220,610</b>
<b><u>U.S. Department of Education</u></b>			
Passed through Louisiana Department of Health and Hospitals:			
Special Education - Grants for Infants and Families	84.141	610292	2,268,463
<b>Total - U.S. Department of Education</b>			<b>2,268,463</b>
<b>Total Expenditures and Federal Awards</b>			<b>\$ 3,489,073</b>
<b>Reconciliation</b>			
Cooperative Endeavor with LSUMC - Federal Portion			\$ 78,319
Federal Grant Revenue			3,410,754
<b>Total</b>			<b>\$ 3,489,073</b>

See accompanying notes to schedule of expenditures of federal awards.

**SOUTHEASTERN LOUISIANA AREA HEALTH  
EDUCATION CENTER**

**Note to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the grant activity of Southeastern Louisiana Area Health Education Center (the Center) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

The Center has elected to use the indirect cost rate as specified under the grant agreement.

**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**

Independent Auditor's Report

To the Board of Directors  
Southeastern Louisiana Area Health Education Center  
Hammond, Louisiana

We have audited, 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, the financial statements of Southeastern Louisiana Area Health Education Center (the Center), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Center's financial statements are free from 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 or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script, appearing to read "LaForte".

A Professional Accounting Corporation

Metairie, LA  
December 9, 2019

**REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

To the Board of Directors  
Southeastern Louisiana Area Health Education Center  
Hammond, Louisiana

**Report on Compliance for Each Major Federal Program**

We have audited Southeastern Louisiana Area Health Education Center's (the Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Center's major federal program for the year ended June 30, 2019. The Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Center's federal program.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Center's major federal program based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Center'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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Center's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Metairie, LA  
December 9, 2019

**SOUTHEASTERN LOUISIANA AREA HEALTH  
EDUCATION CENTER**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2019**

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**A. Summary of Auditor's Results**

Financial Statements

- |                                                                                     |               |
|-------------------------------------------------------------------------------------|---------------|
| 1) Type of auditor's report                                                         | Unmodified    |
| 2) Internal control over financial reporting and compliance and other matters       |               |
| a) Material weaknesses identified?                                                  | No            |
| b) Significant deficiencies identified not considered<br>to be material weaknesses? | None reported |
| 3) Noncompliance material to the financial statements noted?                        | No            |

Federal Awards

- |                                                                                                              |               |
|--------------------------------------------------------------------------------------------------------------|---------------|
| 4) Internal control over major programs                                                                      |               |
| a) Material weaknesses identified?                                                                           | No            |
| b) Significant deficiencies identified not considered<br>to be material weaknesses?                          | None reported |
| 5) Type of auditor's report issued on compliance for major program                                           | Unmodified    |
| 6) Audit findings disclosed that are required to be reported<br>in accordance with 2 CFR Section 200.516(a)? | No            |
| 7) Identification of major programs                                                                          |               |
| 84.141 - Special Education - Grants for Infants and Families                                                 |               |
| 8) Dollar threshold used to distinguish between Type A and B programs                                        | \$750,000     |
| 9) Auditee qualified as a low-risk auditee?                                                                  | Yes           |

**B. Findings Related to the Financial Statements**

None.

**C. Findings and Questioned Costs Related to Major Federal Award Program**

None.

**SOUTHEASTERN LOUISIANA AREA HEALTH  
EDUCATION CENTER**  
**Schedule of Prior Audit Findings and Questioned Costs**  
**For the Year Ended June 30, 2019**

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**Findings Related to the Financial Statements**

None.

**Findings and Questioned Costs Related to Major Federal Award Program**

None.

## AGREED-UPON PROCEDURES REPORT

Southeastern Louisiana Area Health Education Center

Independent Accountant's Report  
On Applying Agreed-Upon Procedures

**For the Period July 1, 2018 - June 30, 2019**

To the Board of Directors  
Southeastern Louisiana Area Health Education Center  
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Southeastern Louisiana Area Health Education Center (the Center) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year July 1, 2018 through June 30, 2019. The Center's management is responsible for those C/C areas identified in the SAUPs.

The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated results are as follows:

### ***Written Policies and Procedures***

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1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
  - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) **Disbursements**, including processing, reviewing, and approving.
  - d) **Receipts**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and Debit Cards, Fuel Cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Results: The Center's written policies and procedures address each of the financial/ business functions listed above in items a) through i) except for item f) and i). The Center's policy on contracts was only related to grant contracts and did not cover all types of contracts. The policy on grant contracts addressed the elements listed in item f). The Center's disaster recovery procedures did not address periodic verification that the backups can be restored or identify the personnel, processes, and tools needed to recover operations after a critical event.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to perform, and did not perform, an examination or review, the objective of which would be the expression of an opinion or conclusion. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of Southeastern Louisiana Area Health Education Center and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Metairie, LA  
December 9, 2019