

**SOUTHEASTERN LOUISIANA
AREA HEALTH EDUCATION CENTER**

Audit of Financial Statements

June 30, 2018



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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, 2018, the related statements of activities 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.

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, 2018, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying combining schedule of assets, liabilities, and net assets; combining schedule of support, revenue, expenses, and changes in net assets; 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 10, 2018, 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 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 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 10, 2018

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER**
Statement of Financial Position
June 30, 2018

| | |
|---|-----------------------------------|
| Assets | |
| Cash and Cash Equivalents | \$ 305,204 |
| Certificate of Deposit | 80,017 |
| Grants Receivable | 4,256,179 |
| Notes Receivable, Net of Allowance | 2,022,824 |
| Other Assets | 165,062 |
| Prepaid Expenses | 32,927 |
| Deposits | 300 |
| Fixed Assets, Net | <u>260,462</u> |
| Total Assets | <u><u>\$ 7,122,975</u></u> |
| Liabilities | |
| Accounts Payable and Accrued Liabilities | \$ 1,319,871 |
| Deferred Revenue | 128,947 |
| Line of Credit | 442,152 |
| Notes Payable | <u>315,277</u> |
| Total Liabilities | <u>2,206,247</u> |
| Net Assets | |
| Unrestricted - Designated for Future Expenditures | <u>4,916,728</u> |
| Total Liabilities and Net Assets | <u><u>\$ 7,122,975</u></u> |

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, 2018**

| | |
|---|----------------------------|
| Unrestricted Net Assets | |
| Support and Revenue | |
| Cooperative Endeavor with LSUMC - State Portion | \$ 353,322 |
| Cooperative Endeavor with LSUMC - Federal Portion | 68,777 |
| Federal Grant Revenue | 3,348,098 |
| Grant Revenue - State and Private | 15,315,151 |
| Contract Revenue | 1,854,005 |
| Interest and Other Income | <u>218,428</u> |
| Total Unrestricted Support and Revenue | <u><u>21,157,781</u></u> |
| Expenses | |
| Program Services | |
| Salaries and Related Benefits | 13,956,174 |
| Administrative Cost | 1,112,187 |
| Other Professional Fees | 875,252 |
| Travel | 834,116 |
| Contractual | 796,806 |
| Supplies and Maintenance | 786,330 |
| Operating Service Expense | 398,272 |
| Rent | 181,772 |
| Other | 157,547 |
| Equipment Expense | 116,346 |
| Telephone and Communication | 106,297 |
| Contract Services | 40,898 |
| Postage | 23,319 |
| Insurance | 13,964 |
| Utilities | 10,268 |
| Consulting Fees | 8,200 |
| Professional Development | 3,810 |
| Printing | 1,348 |
| Advertising and Public Relations | <u>278</u> |
| Total Program Services | <u><u>19,423,184</u></u> |
| Supporting Services | |
| General and Administrative | <u>1,280,500</u> |
| Total Supporting Services | <u><u>1,280,500</u></u> |
| Total Expenses | <u><u>20,703,684</u></u> |
| Change in Unrestricted Net Assets | 454,097 |
| Unrestricted Net Assets, Beginning of Year | <u>4,462,631</u> |
| Unrestricted Net Assets, End of Year | <u><u>\$ 4,916,728</u></u> |

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, 2018

| | |
|--|--------------------------|
| Cash Flows from Operating Activities | |
| Change in Unrestricted Net Assets | \$ 454,097 |
| Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Provided by Operating Activities | |
| Depreciation | 31,526 |
| (Increase) Decrease in Assets | |
| Grant Receivable | (723,542) |
| Prepaid Expenses | (15,253) |
| Increase (Decrease) in Liabilities | |
| Accounts Payable and Accrued Liabilities | 379,028 |
| Deferred Revenue | 84,308 |
| | <u>210,164</u> |
| Net Cash Provided by Operating Activities | |
| Cash Flows from Investing Activities | |
| Increase in Notes Receivable | (559,771) |
| Purchase of Certificate of Deposit | (24,880) |
| | <u>(584,651)</u> |
| Net Cash Used in Investing Activities | |
| Cash Flows from Financing Activities | |
| Payments on Notes Payable | (13,870) |
| Proceeds on Line of Credit | 12,993,031 |
| Payments on Line of Credit | (12,881,227) |
| | <u>97,934</u> |
| Net Cash Provided by Financing Activities | |
| Net Decrease in Cash and Cash Equivalents | (276,553) |
| Cash and Cash Equivalents, Beginning of Year | <u>581,757</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$ 305,204</u></u> |
| Supplemental Disclosure | |
| Cash Paid for Interest | <u><u>\$ 71,462</u></u> |

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

SOUTHEASTERN LOUISIANA AREA HEALTH EDUCATION CENTER

Notes to Financial Statements

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.

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 Accounting Standards Codification (FASB 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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2018, there are no temporarily or permanently restricted net assets.

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.

Contributions

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

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Contributions (Continued)

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.

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

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, 2018, 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, 2018.

Advertising Costs

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

Recent Accounting Pronouncements

On May 28, 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 annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The new revenue standard may be applied retrospectively as of the date of adoption. The Center is currently evaluating the impact of adopting the new revenue standard on its financial statements.

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

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 August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which amends the existing requirements for the financial statements and notes of not-for-profit entities (NFP). This update is the first phase of the FASB's two-phase project. Entities are required to present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. That is, a NFP will report amounts for net assets without donor restrictions, as well as the currently required amount for total net assets. There are additional enhanced disclosure requirements included in this update. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. The amendments in this update should be applied on a retrospective basis in the year that the update is first applied. However, if presenting comparative financial statements, a not-for-profit entity has the option to omit certain information for any periods presented before the period of adoption.

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, 2018, respectively, approximately \$85,000 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.

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER**

Notes to Financial Statements

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, 2018, the Center had seventeen notes outstanding, totaling \$2,041,324. At June 30, 2018, fourteen of the notes were classified as current with three classified as past due. The seventeen notes have interest rates of approximately 4% to 7%, with maturities ranging from 2019 to 2027.

During the year ended June 30, 2018, the Center conducted a review of its notes receivable has recorded an allowance for doubtful accounts of \$18,500.

Note 4. Fixed Assets

As of June 30, 2018, fixed assets consist of the following:

| | |
|--------------------------------|---------------------------------|
| Buildings | \$ 402,260 |
| Office Equipment | 115,336 |
| Office Furniture | 51,582 |
| Vehicles | <u>127,778</u> |
| | 696,956 |
| Less: Accumulated Depreciation | <u>(436,494)</u> |
| Total | <u><u>\$ 260,462</u></u> |

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, 2018, totaled \$31,526.

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

Note 5. Line of Credit and Notes Payable

The Center has a line of credit in the amount of \$1,500,000. The line bears interest at the Index (4% at June 30, 2018) and matures June 10, 2019. As of June 30, 2018, the balance outstanding on the line of credit was \$442,152.

The Center has two outstanding notes payable with a local banking institution to finance the purchase of two vehicles. The notes bear interest at a rate of 2.24% and mature in August 2019. As of June 30, 2018, the balances on the notes are \$6,871 (payable in monthly installments of \$539) and \$8,406 (payable in monthly installments of \$660), respectively.

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

At June 30, 2018, scheduled maturities of notes payable for the years ending June 30, are as follows:

| | |
|--------------|--------------------------|
| 2019 | \$ 14,160 |
| 2020 | 1,117 |
| 2021 | - |
| 2022 | - |
| 2023 | <u>300,000</u> |
| Total | <u><u>\$ 315,277</u></u> |

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, 2018. 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, 2018, amounted to \$738,220.

In October 2014, the Center established a 457(b) deferred compensation plan covering the CEO and CFO. In June 2016, the Center approved to add Directors to the Plan. The contributions for the Plan during the year totaled \$47,000. The only eligible employees are the CEO, CFO, and Directors.

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER**

Notes to Financial Statements

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, 2018, was \$34,093.

Future minimum lease payments on office equipment and office space for the years ending June 30, 2019 and 2020 are \$5,443 and \$1,600, respectively.

Note 8. Functional Allocation of Expenses

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

Note 9. 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.

Note 10. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 10, 2018, 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
Combining Schedule of Assets, Liabilities, and Net Assets
For the Year Ended June 30, 2018**

Schedule I

| | Program Services | Supporting Services | Plant Fund | Totals |
|--|-----------------------------|--------------------------------|-------------------|----------------------|
| Assets | | | | |
| Cash and Cash Equivalents | \$ 15,625 | \$ 289,579 | \$ - | \$ 305,204 |
| Certificates of Deposit | - | 80,017 | - | 80,017 |
| Grants Receivable | 4,256,179 | - | - | 4,256,179 |
| Notes Receivable, Net of Allowance | 2,022,824 | - | - | 2,022,824 |
| Other Assets | 165,062 | - | - | 165,062 |
| Prepaid Expenses | 32,927 | - | - | 32,927 |
| Deposits | - | 300 | - | 300 |
| Due from Other Programs | - | 9,365,102 | - | 9,365,102 |
| Fixed Assets, Net | - | - | 260,462 | 260,462 |
| Total Assets | \$ 6,492,617 | \$ 9,734,998 | \$ 260,462 | \$ 16,488,077 |
| Liabilities | | | | |
| Accounts Payable and Accrued Liabilities | \$ 1,177,962 | \$ 141,909 | \$ - | \$ 1,319,871 |
| Deferred Revenue | 128,947 | - | - | 128,947 |
| Line of Credit Payable | - | 442,152 | - | 442,152 |
| Notes Payable | 315,277 | - | - | 315,277 |
| Due to Other Programs | 9,147,123 | - | 217,979 | 9,365,102 |
| Total Liabilities | 10,769,309 | 584,061 | 217,979 | 11,571,349 |
| Net Assets (Deficit) | | | | |
| Unrestricted - Designated for Future Expenditures | (4,276,692) | 9,150,937 | 42,483 | 4,916,728 |
| Total Liabilities and Net Assets | \$ 6,492,617 | \$ 9,734,998 | \$ 260,462 | \$ 16,488,077 |

See independent auditor's report.

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER**

Schedule II

Supplementary Information

**Combining Schedule of Support, Revenue, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2018**

| | Program Services | Supporting Services | Plant Fund | Totals |
|---|-----------------------------|--------------------------------|-------------------|---------------------|
| Support and Revenue | | | | |
| Cooperative Endeavor with LSUMC - State Portion | \$ - | \$ 353,322 | \$ - | \$ 353,322 |
| Cooperative Endeavor with LSUMC - Federal Portion | - | 68,777 | - | 68,777 |
| Federal Grant Revenue | 3,348,098 | - | - | 3,348,098 |
| Grant Revenue - State and Private | 15,315,151 | - | - | 15,315,151 |
| Contract Revenue | - | 1,854,005 | - | 1,854,005 |
| Interest and Other Income | 133,824 | 84,604 | - | 218,428 |
| Total Support and Revenue | 18,797,073 | 2,360,708 | - | 21,157,781 |
| Expenses | | | | |
| Salaries and Related Benefits | 13,956,174 | 765,333 | - | 14,721,507 |
| Administrative Cost | 1,112,187 | - | - | 1,112,187 |
| Supplies and Maintenance | 786,330 | 162,433 | - | 948,763 |
| Other Professional Fees | 875,252 | 15,123 | - | 890,375 |
| Travel | 834,116 | 22,511 | - | 856,627 |
| Contractual | 796,806 | 7,904 | - | 804,710 |
| Operating Service Expense | 398,272 | 71,462 | - | 469,734 |
| Rent | 181,772 | - | - | 181,772 |
| Other | 157,547 | - | - | 157,547 |
| Telephone and Communication | 106,297 | 48,610 | - | 154,907 |
| Equipment Expense | 116,346 | 38,517 | - | 154,863 |
| Consulting Fees | 8,200 | 53,200 | - | 61,400 |
| Contract Services | 40,898 | - | - | 40,898 |
| Depreciation | - | - | 31,526 | 31,526 |
| Postage | 23,319 | 4,825 | - | 28,144 |
| Insurance | 13,964 | 11,305 | - | 25,269 |
| Utilities | 10,268 | 8,521 | - | 18,789 |
| Bank Fees | - | 14,850 | - | 14,850 |
| Advertising and Public Relations | 278 | 11,575 | - | 11,853 |
| Dues and Subscription | - | 9,706 | - | 9,706 |
| Professional Development | 3,810 | - | - | 3,810 |
| Legal Fees | - | 3,099 | - | 3,099 |
| Printing | 1,348 | - | - | 1,348 |
| Total Expenses | 19,423,184 | 1,248,974 | 31,526 | 20,703,684 |
| Change in Net Assets | (626,111) | 1,111,734 | (31,526) | 454,097 |
| Net Assets, Beginning of Year | (3,650,581) | 8,039,203 | 74,009 | 4,462,631 |
| Net Assets, End of Year | \$ (4,276,692) | \$ 9,150,937 | \$ 42,483 | \$ 4,916,728 |

See independent auditor's report.

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER
Supplementary Information
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended June 30, 2018**

Agency Head
Brian P. Jakes, Sr., CEO

| Purpose | Amount |
|--|---------------|
| Salary | \$108,896 |
| Benefits - Insurance | \$7,123 |
| Benefits - Retirement | \$26,136 |
| Benefits - Other | \$2,074 |
| Car Allowance | \$0 |
| Vehicle Provided by Government | \$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 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.

See independent auditor's report.

UNIFORM GUIDANCE SECTION

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018**

| Federal Grantor/Pass Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Entity's Identifying Number | Federal Revenue Recognized | Federal Expenditures |
|--|---------------------------|--|----------------------------------|-------------------------|
| <u>U.S. Department of Health and Human Services</u> | | | | |
| Passed through Louisiana State University Medical Center: | | | | |
| Area Health Education Centers Point of Service Maintenance and Enhancement Awards | 93.107 | 72608770A1 | \$ 68,777 | \$ 68,777 |
| Passed through City of New Orleans - Office of Health Policy: | | | | |
| HIV Emergency Relief Project Grants - Ryan White HIV/AIDS Treatment | 93.914 | 980HP0014C | 681,699 | 681,699 |
| Passed through New Orleans Regional AIDS Planning Council: | | | | |
| HIV Emergency Relief Project Grants - Ryan White HIV/AIDS Treatment | 93.914 | 980HP0014C | 357,600 | 357,600 |
| Passed through Florida Parishes Human Services Authority: | | | | |
| Block Grants for Community Mental Health Services | 93.958 | 721155014-00 | 34,634 | 34,634 |
| Subtotal - U.S. Department of Health and Human Services | | | 1,142,710 | 1,142,710 |
| <u>U.S. Department of Education</u> | | | | |
| Passed through Louisiana Department of Health and Hospitals: | | | | |
| Special Education - Grants for Infants and Families | 84.181 | 610292 | 2,274,165 | 2,274,165 |
| Subtotal - U.S. Department of Education | | | 2,274,165 | 2,274,165 |
| Total | | | \$ 3,416,875 | \$ 3,416,875 |
| Reconciliation | | | | |
| Cooperative Endeavor with LSUMC - Federal Portion | | | \$ 68,777 | |
| Federal Grant Revenue | | | 3,348,098 | |
| Total | | | \$ 3,416,875 | |

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, 2018**

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, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2018.

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.

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 that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA
December 10, 2018

**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, 2018. 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, 2018.

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 10, 2018

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER**
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

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 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 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 in accordance with 2 CFR Section 200.516(a)? | No |
| 7) Identification of major programs | |
| 93.914 - HIV Emergency Relief Project Grants – Ryan White HIV/AIDS Treatment | |
| 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, 2018

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, 2017 - June 30, 2018

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

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, 2017 through June 30, 2018. 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

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.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- 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.

Results: The Center's written policies and procedures address each of the financial/ business functions listed above in items a) through h) except for item f). 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).

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

- 2. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Results: Obtained a listing of disbursements from management and management's representation that the listing was complete.

- 3. For each location selected under #2 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: For the locations selected, the criteria listed above in items a) through d) were satisfied without exception.

4. For each location selected under #2 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #3, as applicable.

Results: The 5 disbursements selected each met the required elements in a) and b). No exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

5. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Results: Obtained a listing of all active cards from management and management's representation that the listing is complete.

6. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

Results: Selected 5 cards used during the year. There was evidence that the monthly statements were reviewed or approved, in writing, by someone other than the authorized card holder. There were no finance charges or late fees assessed on the selected statements.

7. Using the monthly statements or combined statements selected under #6 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Results: All of the transactions selected were supported with an itemized receipt, written documentation of the business/public purpose, and if applicable documentation of the individuals participating in meals.

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 handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA
December 10, 2018