

5581

**NORTH LOUISIANA AREA HEALTH  
EDUCATION CENTER FOUNDATION  
MONROE, LOUISIANA**

RECEIVED  
LEGISLATIVE DIVISION  
98 MAR 31 AM 10:47

**OFFICIAL  
FILE COPY**  

---

**DO NOT SEND OUT**  

---

*(Xerox necessary  
copies from this  
copy and PLACE  
BACK in FILE)*

**REPORT ON INTERNAL CONTROLS AND COMPLIANCE  
BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**APPENDIX TO REPORT ON INTERNAL CONTROLS AND  
COMPLIANCE BASED ON AN AUDIT OF THE  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

**FINANCIAL STATEMENTS  
SEPTEMBER 30, 1997  
AND  
INDEPENDENT AUDITORS' REPORT**

Release Date APR 15 1998

MINCHEW, ROBINSON, GARDNER, LANGSTON AND BRYAN  
CERTIFIED PUBLIC ACCOUNTANTS  
2120 FORSYTHE AVENUE  
P.O. Box 4550  
MONROE, LOUISIANA 71211-4550

GENE E. MINCHEW, CPA  
A Professional Corporation  
OSCAR C. ROBINSON, JR., CPA  
A Professional Corporation  
C. DENNIS GARDNER, CPA  
A Professional Corporation  
TIMMY R. LANGSTON, CPA  
A Professional Corporation  
RUSSELL B. BRYAN, CPA  
A Professional Corporation

Telephone  
(318) 323-4481

Telecopier  
(318) 323-2188

REPORT ON INTERNAL CONTROLS AND  
COMPLIANCE BASED ON AN AUDIT PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of North Louisiana Area Health Education Center Foundation (a nonprofit organization), as of and for the year ended September 30, 1997 and have issued our report thereon, dated March 17, 1998. We have conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. The attached Appendix is an integral part of this report.

In planning and performing our audit, we obtained an understanding of North Louisiana Area Health Education Center Foundation's, internal control and assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We also tested the North Louisiana Area Health Education Center Foundation's, compliance with laws, regulations, and other provisions of contracts and grants that could have a direct and material effect on the financial statements.

We identified no material weaknesses in internal control and no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*. We noted other matters involving the design and operations of internal control that we have reported to management of North Louisiana Area Health Education Center Foundation in a separate letter dated March 19, 1998. However, our consideration of the North Louisiana Area Health Education Center Foundation's internal control and our testing of its compliance with laws, regulations, and provisions of contracts and grants were not designed to and did not provide sufficient evidence to express an opinion on such matters and would not necessarily disclose all matters that might be material weaknesses. Accordingly, we do not express an opinion on North Louisiana Area Health Education Center Foundation's internal control or in its compliance with laws, regulations, and provisions of contracts and grants.

This report is intended for the information of the board of directors, management, state awarding agencies and regulatory and legislative bodies.

*Minchew, Robinson, Gardner, Langston and Bryan*  
March 17, 1998

MINCHEW, ROBINSON, GARDNER, LANGSTON AND BRYAN  
CERTIFIED PUBLIC ACCOUNTANTS  
2120 FORSYTHE AVENUE  
P.O. Box 4550  
MONROE, LOUISIANA 71211-4550

GENE E. MINCHEW, CPA  
A Professional Corporation  
OSCAR C. ROBINSON, JR., CPA  
A Professional Corporation  
C. DENNIS GARDNER, CPA  
A Professional Corporation  
TIMMY R. LANGSTON, CPA  
A Professional Corporation  
RUSSELL B. BRYAN, CPA  
A Professional Corporation

Telephone  
(318) 323-4481

Telecopier  
(318) 323-2188

APPENDIX TO REPORT ON INTERNAL CONTROLS  
AND COMPLIANCE BASED ON AN AUDIT OF THE  
FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Responsibility of Management

The management of North Louisiana Area Health Education Center Foundation is responsible for compliance with laws, regulations, contracts, and grants applicable to North Louisiana Area Health Education, and for establishing and maintaining internal control. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Definitions

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the North Louisiana Area Health Education Center Foundation's ability to record, process, summarize, and report financial data consistent with the assertion of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of internal control does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the financial statements being audited could occur and not be detected with a timely period by employees in the normal course of performing their assigned functions.

*Minchew, Robinson, Gardner, Langston and Bryan*

March 17, 1998

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY DATA  
SEPTEMBER 30, 1997  
AND  
INDEPENDENT AUDITORS' REPORT**

**NORTH LOUISIANA AREA HEALTH  
EDUCATION CENTER FOUNDATION**

**C O N T E N T S**

|  | <b><u>Page</u></b> |
|--|--------------------|
| <b>INDEPENDENT AUDITORS' REPORT ON FINANCIAL<br/>STATEMENTS BASED ON AN AUDIT PERFORMED IN<br/>ACCORDANCE WITH <i>GOVERNMENT AUDITORS' STANDARDS</i></b> | <b>1</b>           |
| <b>STATEMENT OF FINANCIAL POSITION</b>   | <b>2</b>           |
| <b>STATEMENT OF ACTIVITIES</b>   | <b>3</b>           |
| <b>STATEMENT OF CASH FLOWS</b>   | <b>4</b>           |
| <b>NOTES TO FINANCIAL STATEMENTS</b>   | <b>5</b>           |

**MINCHEW, ROBINSON, GARDNER, LANGSTON AND BRYAN  
CERTIFIED PUBLIC ACCOUNTANTS**

2120 FORSYTHE AVENUE  
P.O. BOX 4550  
MONROE, LOUISIANA 71211-4550

GENE E. MINCHEW, CPA  
A Professional Corporation  
OSCAR C. ROBINSON, JR., CPA  
A Professional Corporation  
C. DENNIS GARDNER, CPA  
A Professional Corporation  
TIMMY R. LANGSTON, CPA  
A Professional Corporation  
RUSSELL B. BRYAN, CPA  
A Professional Corporation

Telephone  
(318) 323-4481

Telecopier  
(318) 323-2188

**INDEPENDENT AUDITORS' REPORT ON FINANCIAL  
STATEMENTS BASED ON AN AUDIT PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the accompanying statements of financial position of North Louisiana Area Health Education Center Foundation as of September 30, 1997, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of North Louisiana Area Health Education Center Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Louisiana Area Health Education Center Foundation, as of September 30, 1997, and the changes in net assets and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 17, 1998 on our consideration of North Louisiana Area Health Education Center Foundation's internal control and tests of its compliance with laws and regulations.

*Minchow, Robinson, Gardner, Langston and Bryan*

March 17, 1998

**NORTH LOUISIANA AREA HEALTH  
EDUCATION CENTER FOUNDATION**

**STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 1997**

**ASSETS**

|  |               |                   |
|--|---------------|-------------------|
| Cash and cash equivalents                  |               | \$ 51,846         |
| Equipment                                  | \$ 45,300     |                   |
| Furniture                                  | 11,116        |                   |
| Building                                   | <u>60,742</u> |                   |
| Total fixed assets (Note 1)                | \$ 117,158    |                   |
| Less: Accumulated depreciation             | <u>35,707</u> |                   |
| Total capital assets - net of depreciation |               | <u>81,451</u>     |
| Total assets                               |               | <u>\$ 133,297</u> |

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

|                       |  |                 |
|-----------------------|--|-----------------|
| Accounts payable      |  | \$ 5,051        |
| Accrued payroll taxes |  | <u>3,343</u>    |
| Total liabilities     |  | <u>\$ 8,394</u> |

**NET ASSETS**

|  |  |                   |
|--|--|-------------------|
| Unrestricted                           |  |                   |
| Designated for future expenditures     |  | \$ 7,745          |
| Investment in capital assets (at cost) |  | <u>117,158</u>    |
| Total net assets                       |  | <u>\$ 124,903</u> |
| Total liabilities and net assets       |  | <u>\$ 133,297</u> |

**See Notes to Financial Statements.**

**NORTH LOUISIANA AREA HEALTH  
EDUCATION CENTER FOUNDATION**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 1997**

|  | <u>Unrestricted</u> |
|--|---------------------|
| <b>PUBLIC SUPPORT, GOVERNMENT GRANTS AND REVENUE</b> |                     |
| Grants - Area Health Education Program               | <u>\$ 577,178</u>   |
| Other Revenue:                                       |                     |
| Program service fees                                 | \$ 134,936          |
| Interest income                                      | 66                  |
| Other income   | 3,533               |
| Donations  | <u>5,049</u>        |
| Total other revenue                                  | <u>\$ 143,584</u>   |
| Total public support, government grants and revenue  | <u>\$ 720,762</u>   |
| <b>PROGRAM AND SUPPORTING SERVICES EXPENSE</b>       |                     |
| Direct program expenses                              | \$ 270,620          |
| Consultants  | 9,561               |
| Continuing education                                 | 6,651               |
| Printing and duplication                             | 1,127               |
| Publications, books and journals                     | <u>6,882</u>        |
| Total program expenses                               | <u>\$ 294,841</u>   |
| Supporting Services Expense                          |                     |
| Salaries   | \$ 272,089          |
| Supplies and postage                                 | 20,956              |
| Telephone  | 4,529               |
| Computer support                                     | 1,463               |
| Travel   | 22,929              |
| Other operating expenses                             | 36,687              |
| Depreciation   | 17,131              |
| Marketing  | <u>1,279</u>        |
| Total supporting services expense                    | <u>\$ 377,063</u>   |
| Total program and supporting services expense        | <u>\$ 671,904</u>   |
| Change in net assets                                 | \$ 48,858           |
| <b>NET ASSETS - BEGINNING OF YEAR</b>                | <u>76,045</u>       |
| <b>NET ASSETS - END OF YEAR</b>                      | <u>\$ 124,903</u>   |

**See Notes to Financial Statements.**



**NORTH LOUISIANA AREA HEALTH  
EDUCATION CENTER FOUNDATION**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 1997**

|  |                    |
|--|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                    |
| Increase in net assets   | \$ 48,858          |
| Adjustments to reconcile increase in net assets to<br>net cash provided by operating activities: |                    |
| Depreciation   | 17,131             |
| Increase (decrease) in:  |                    |
| Accounts payable   | (7,536)            |
| Accrued payroll taxes  | <u>730</u>         |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>  | <u>\$ 59,183</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                    |
| Purchases of equipment   | <u>\$ (12,470)</u> |
| <b>NET CASH (USED) BY INVESTING ACTIVITIES</b>   | <u>\$ (12,470)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                    |
| Receipts of advances from LSUMC  | \$ 0               |
| Payments of advances to LSUMC  | <u>0</u>           |
| <b>NET CASH PROVIDED (USED BY) FINANCING ACTIVITIES</b>  | <u>\$ 0</u>        |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                      | \$ 46,713          |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>  | <u>5,133</u>       |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>  | <u>\$ 51,846</u>   |

**See Notes to Financial Statements.**

**NORTH LOUISIANA AREA HEALTH  
EDUCATION CENTER FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 1997**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

North Louisiana Area Health Education Center Foundation (NLAHECF) is a Louisiana nonprofit corporation chartered on March 7, 1989. Its purpose is to operate an area health education center in North Louisiana in order to plan for additional clinical educational opportunities and facilitate the recruitment and retentions of health care professionals in rural and other medically underserved communities.

North Louisiana Area Health Education 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 accounting policies of North Louisiana Area Health Education Center Foundation conform to generally accepted accounting principles as applicable to nonprofit organizations.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. No permanently restricted or temporarily restricted assets were held during 1997 and, accordingly, these financials do not reflect any activity related to these classes of net assets for 1997.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows the Organization considers all cash in operating bank accounts, cash on hand, certificates of deposit and unrestricted highly liquid investments with a maturity of three months or less to be cash and cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent 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 these estimates.

**NORTH LOUISIANA AREA HEALTH  
EDUCATION CENTER FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 1997**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Capital Assets and Donated Use of Facilities

Pursuant to their contractual agreement, LSUMC budgets for expenditures for capital assets to be acquired for North Louisiana Area Health Education Center Foundation. The contractual agreements for years 1989, 1990, 1991 and 1992, with LSUMC stated that the ownership of assets purchased with grant funds would remain with LSUMC. The agreements for years 1993 and 1994 do not specify this reversionary ownership. However, according to federal regulations, the title to assets purchased with federal funds generally reverts to the grantor at the end of the grant period. Accordingly, these costs were recorded as revenue and expenditures in the activity statement of North Louisiana Area Health Education Center Foundation and are not capitalized for prior years. North Louisiana Area Health Education Center exhausted its eligibility for federal funds as of September 29, 1994. The assets purchased beginning October 1, 1994 are budgeted for in a cooperative endeavor agreement between LSUMC and NLAHECF as described in Note 1. This agreement does not contain a provision for reversionary ownership and does not include federal funds, accordingly, as of the beginning of the fiscal year ending September 30, 1997 NLAHECF capitalizes assets purchased and records these purchases at cost. Depreciation is calculated using straight-line method over the estimated useful lives of the assets ranging from 3 to 20 years.

The building is capitalized and depreciated over its estimated useful life. E. A. Conway Memorial Hospital, an affiliated organization with Louisiana State University Medical Center, provides the use of land for the portable building. The use of land is not recorded in the financial statements. The office was again relocated in April, 1997 to Shreveport, Louisiana in space leased from a commercial office building.

Revenues and Expenses

North Louisiana Area Health Education Center Foundation is funded by contractual agreements with Louisiana State University. These agreements represent exchange transactions for goods and services under the guidance provided by Statement of Financial Accounting Standards No. 116 "Accounting for Contributions Received and Contributions Made". Exchange transactions do not meet the definition of contributions, accordingly, SFAS No. 116 does not apply. Support for North Louisiana Area Health Education Center Foundation is provided by the Louisiana Legislature through funding to Louisiana State University Medical Center (LSUMC) for continuing the operations of the Area Health Education Program. In accordance with Article 7, Section 14(c) of the Louisiana Constitution a Cooperative Endeavor was entered into by and between the Board of Supervisors of Louisiana State University Agricultural and Mechanical College, acting on behalf of the Louisiana State University Medical Center, Shreveport and the North Louisiana Area Health Education Center Foundation. This agreement is a state funded replacement of a cooperative agreement originally between the United States Public Health Service (entered into in 1988 and terminated on September 29, 1994) and Louisiana State University Medical Center for the establishment of a state wide area health education center program.

**NORTH LOUISIANA AREA HEALTH  
EDUCATION CENTER FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 1997**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Revenues and Expenses (Continued)

Expenditures are to be made in accordance with a budget which has been adopted and made apart of the contract agreement with LSUMC. North Louisiana Area Health Education Center Foundation is to be reimbursed by LSUMC for costs incurred in carrying out the provisions of this agreement. An advance is paid to North Louisiana Area Health Education Center Foundation by the tenth working day of each month. Actual expenses for each month are billed to Louisiana State University Medical Center and any over/under payment will be deducted/added on a subsequent payment. Revenues are recorded when earned and expenses when incurred.

Contributions

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

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization has not received any restricted contributions.

The Organization primarily receives cash from various government contracts on an exchange transaction for specified services. These revenues are not considered contributions and are recorded as an increase in unrestricted net assets.

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization has not received any promises to give.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

Costs are allocated between fund raising, management and general, supporting services or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**NORTH LOUISIANA AREA HEALTH  
EDUCATION CENTER FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 1997**

**NOTE 2 - CASH FLOW INFORMATION**

Supplemental disclosures of cash flow information:

Cash paid during the year for:

|              |     |
|--------------|-----|
| Interest     | -0- |
| Income taxes | -0- |

Supplemental schedule of noncash investing and financing activities:

There were no noncash investing and financing activities for the year.

Disclosure of accounting policy:

For the purpose of the statement of cash flows, the organization considers cash in checking accounts, savings accounts, and certificates of deposit to be cash and cash equivalents.

**NOTE 3 - DEFINED CONTRIBUTION PLAN**

North Louisiana Area Health Education Center Foundation sponsors all of its eligible full-time employees in a noncontributory tax-deferred annuity plan under the rules in IRC Section 403(b). Maximum contributions to the plan are set at 8% of eligible compensation. Contributions by North Louisiana Area Health Education Center Foundation totaled \$16,091 for the year.

**NOTE 4 - CONCENTRATION OF REVENUES**

North Louisiana Area Health Education Center Foundation operates an area health education center to plan for additional clinical educational opportunities and facilitate the recruitment and retention of health care professionals in rural and other medically underserved communities. Revenue for these services are paid primarily by the State of Louisiana pursuant to a contract between North Louisiana Area Health Education Center Foundation and Louisiana State University Medical Center, Shreveport. This contract, which is the primary source of funds for North Louisiana Area Health Education Foundation, is executed annually subject to availability and appropriation of state funds.

**NORTH LOUISIANA AREA HEALTH  
EDUCATION CENTER FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 1997**

**NOTE 5 - COMMITMENTS AND CONTINGENCIES**

Operating Lease Commitments

The Organization has a lease agreement for office space in Shreveport, Louisiana expiring July, 1998, with an option to renew the lease for an additional year. The office space is used by Administration and accounting department.

Total rent expense related to these and other short-term lease agreements was \$8,742 for the year ended September 30, 1997. Future aggregate minimum lease payments are \$10,420.

**MINCHEW, ROBINSON, GARDNER, LANGSTON and BRYAN  
CERTIFIED PUBLIC ACCOUNTANTS**

2120 Forsythe Avenue  
P.O. Box 4550  
Monroe, Louisiana 71211-4550

GENE E. MINCHEW, CPA  
A Professional Corporation  
OSCAR C. ROBINSON, JR., CPA  
A Professional Corporation  
C. DENNIS GARDNER, CPA  
A Professional Corporation  
TIMMY R. LANGSTON, CPA  
A Professional Corporation  
RUSSELL B. BRYAN, CPA  
A Professional Corporation

Telephone  
(318) 323-4481

Telecopier  
(318) 323-2188

Board of Directors  
Susan Moreland, Executive Director  
North Louisiana Area Health  
Education Center Foundation  
Shreveport, Louisiana

RECEIVED  
DIRECTOR  
98 MAR 31 AM 10:47

In planning and performing our audits of the financial statements of North Louisiana Area Health Education Center Foundation for the year ended September 30, 1997, we considered its internal control in order to determine our auditing procedures for the purpose of expressing opinions on the financial statements and to report on internal controls and compliance based on an audit performed in accordance with Government Auditing Standards. We noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect North Louisiana Area Health Education Center Foundation's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements or to administer financial assistance programs in accordance with applicable laws and regulations.

North Louisiana Area Health Education Center Foundation operates with a staff too few in number to facilitate efficient internal control. The Executive Director and Administrative Secretary are responsible for the majority of transactions that occur. Cost-benefit concerns do not justify additional employees and controls to provide an adequate segregation of duties that is necessary for an efficient internal control structure. Although this condition could adversely affect the Organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements it is not considered to be a material weakness because of certain mitigating factors.

The following factors were considered in the auditors' judgement in distinguishing the reportable condition from a material weakness. The budget for the Organization's fiscal year is adopted and approved by the subgranting agency. A control procedure is

established to require two signatures, one of which is a board member for any expenditures greater than \$1,000. The Organization's system of accounting includes review and general ledger account coding and processing of a certified public accounting firm other than the independent firm conducting the annual audit. The bank statements are mailed directly to this firm unopened and all reconciliations are performed by the firm, thus separating this duty from the Organization. The Organization also maintains separate accounting records which are compared and adjusted by the bookkeeping firm.

Based on the considerations of the internal control structure and its related matters as described above, none of the reportable conditions described above are believed to be a material weakness.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited or that noncompliance with laws and regulations that would be material to a financial assistance program.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended solely for the information and use of the Board of Directors, management, and Louisiana State University Medical Center Shreveport, Louisiana and other legislative and regulatory bodies, as applicable.

MINCHEW, ROBINSON, GARDNER, LANGSTON and BRYAN, CPAs



March 19, 1998