

**BOYS & GIRLS CLUBS
OF
SOUTHEAST LOUISIANA, INC.**

Combined Financial Statements

June 30, 2003 and 2002

With Independent Auditors' Report Thereon

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

Release Date 4-28-04

**BOYS & GIRLS CLUBS
OF
SOUTHEAST LOUISIANA, INC.**

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Combined Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6-11
Supplementary Information:	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12
Appendix A -- Schedule of Findings and Questioned Costs -- Current Year	13
Appendix B -- Schedule of Findings and Questioned Costs -- Prior Year	15
Appendix C -- Management's Response to the Schedule of Findings and Questioned Costs	16



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Independent Auditors' Report

Board of Directors
Boys & Girls Clubs of
Southeast Louisiana, Inc.:

We have audited the accompanying combined statements of financial position of Boys & Girls Clubs of Southeast Louisiana, Inc. as of June 30, 2003 and 2002, and the related combined statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Clubs of Southeast Louisiana, Inc. as of June 30, 2003 and 2002, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2002 on our consideration of Boys & Girls Clubs' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Metairie, Louisiana
March 2, 2004

**BOYS & GIRLS CLUBS
OF
SOUTHEAST LOUISIANA, INC.**

Combined Statements of Financial Position

June 30, 2003 and 2002

	2003			2002				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Assets								
Current assets:								
Cash and cash equivalents	21,711	-	2,650	24,361	17,557	-	2,650	20,207
Accounts receivable - United Way	2,083	317,788	-	319,871	-	304,753	-	304,753
Accounts receivable - grants & other	118,729	-	-	118,729	127,170	-	-	127,170
Prepaid expenses	10,737	-	-	10,737	10,737	-	-	10,737
Due from (to) other classes of net assets	(23,004)	23,004	-	-	(23,004)	23,004	-	-
Total current assets	130,256	340,792	2,650	473,698	132,460	327,757	2,650	462,867
Land, building and equipment, net of accumulated depreciation	494,666	-	-	494,666	447,017	-	-	447,017
Total assets	\$ 624,922	\$ 340,792	\$ 2,650	\$ 968,364	\$ 579,477	\$ 327,757	\$ 2,650	\$ 909,884
Liabilities and Net Assets								
Current liabilities:								
Cash overdraft	4,265	-	-	4,265	23,065	-	-	23,065
Accounts payable & other liabilities	104,071	-	-	104,071	106,713	-	-	106,713
Payroll tax & related liabilities	126,426	-	-	126,426	163,681	-	-	163,681
Notes payable	-	-	-	-	1,808	-	-	1,808
Total current liabilities	234,762	-	-	234,762	295,267	-	-	295,267
Net assets:								
Unrestricted	390,160	-	-	390,160	284,210	-	-	284,210
Temporarily restricted	-	340,792	-	340,792	-	327,757	-	327,757
Permanently restricted	-	-	2,650	2,650	-	-	2,650	2,650
Total net assets	390,160	340,792	2,650	733,602	284,210	327,757	2,650	614,617
Total liabilities and net assets	\$ 624,922	\$ 340,792	\$ 2,650	\$ 968,364	\$ 579,477	\$ 327,757	\$ 2,650	\$ 909,884

See accompanying notes to financial statements.

**BOYS & GIRLS CLUBS
OF
SOUTHEAST LOUISIANA, INC.**

Combined Statements of Activities
Years ended June 30, 2003 and 2002

	2003				2002			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains and other support:								
Contributions	87,174	-	-	87,174	118,388	-	-	118,388
Allocation from United Way	-	309,569	-	309,569	30,389	291,097	-	321,486
Designation and combined federal program funds received from United Way	19,061	8,219	-	27,280	-	13,656	-	13,656
Membership dues	5,920	-	-	5,920	7,152	-	-	7,152
Program service fees	42,298	-	-	42,298	31,016	-	-	31,016
Special events	61,635	-	-	61,635	60,472	-	-	60,472
Grants and contracts	518,016	-	-	518,016	422,104	-	-	422,104
Other	10,452	-	-	10,452	1,808	-	-	1,808
Total revenues	744,556	317,788	-	1,062,344	671,329	304,753	-	976,082
Net assets released from restrictions:								
Satisfaction of program restrictions	304,753	(304,753)	-	-	317,680	(317,680)	-	-
Total revenues, gains, and other support	1,049,309	13,035	-	1,062,344	989,009	(12,927)	-	976,082
Expenses:								
Program services:								
Social development	743,326	-	-	743,326	693,482	-	-	693,482
Total program services	743,326	-	-	743,326	693,482	-	-	693,482
Supporting services:								
Management and general	114,654	-	-	114,654	141,000	-	-	141,000
Fund raising	85,379	-	-	85,379	108,867	-	-	108,867
Total supporting services	200,033	-	-	200,033	249,867	-	-	249,867
Total expenses and losses	943,359	-	-	943,359	943,349	-	-	943,349
Changes in net assets	105,950	13,035	-	118,985	45,660	(12,927)	-	32,733
Net assets, beginning of year	284,210	327,757	2,650	614,617	238,550	340,684	2,650	581,884
Net assets, end of year	390,160	340,792	2,650	733,602	284,210	327,757	2,650	614,617

See accompanying notes to financial statements.

**BOYS & GIRLS CLUBS
OF
SOUTHEAST LOUISIANA, INC.**

Combined Statements of Functional Expenses

Years ended June 30, 2003 and 2002

	2003				2002			
	Program Services		Support Services		Program Services		Support Services	
	Social Development	Management and general	Fund- raising	Total	Social Development	Management and general	Fund- raising	Total
\$				Total all services				Total all services
Salaries and wages	400,149	28,360	3,346	431,855	362,546	15,715	23,605	39,320
Employee benefits	15,640	322	161	16,123	12,437	381	93	474
Payroll taxes and related expenses	45,783	944	472	47,199	45,819	1,403	342	1,745
Gr. Total salaries	461,572	29,626	3,979	495,177	420,802	17,499	24,040	41,539
Professional fees and contract services	10,168	39,848	61,575	111,591	8,776	61,601	52,656	114,257
Supplies	15,896	15,983	3,484	35,363	53,253	6,699	6,080	12,779
Telephone	14,552	4,478	3,358	22,388	10,138	3,119	2,339	5,458
Other office expenses	1,506	631	478	2,615	4,188	3,886	3,473	7,359
Occupancy	125,107	7,961	1,327	134,395	93,144	11,786	3,939	15,725
Local meetings and transportation	12,433	6,216	2,072	20,721	3,142	1,571	524	2,095
Conferences, conventions, meetings, and major trips	19,115	2,549	3,823	25,487	12,604	1,681	2,521	4,202
Direct support to Boys & Girls Clubs of America	500	-	-	500	5,830	-	-	-
Miscellaneous expenses:								
Fund-raising	-	-	4,501	4,501	-	-	12,026	12,026
Penalties and interest	-	-	-	-	-	8,457	-	8,457
Other	6,657	5,799	-	12,456	-	22,944	-	22,944
Total expenses before depreciation	667,506	113,091	84,597	865,194	611,877	139,243	107,598	246,841
Depreciation	75,820	1,563	782	78,165	81,605	1,757	1,269	3,026
\$	743,326	114,654	85,379	943,359	693,482	141,000	108,867	249,867

See accompanying notes to financial statements.

**BOYS & GIRLS CLUBS
OF
SOUTHEAST LOUISIANA, INC.**

Combined Statements of Cash Flows

Years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Change in net assets	\$ 118,985	32,733
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	78,165	84,631
Loss on disposal of equipment	6,657	
Changes in operating assets and liabilities:		
Accounts receivable - United Way	(15,118)	(9,283)
Accounts receivable - grants and other	8,441	1,031
Prepaid expenses	-	100
Accounts payable	(2,642)	(7,340)
Payroll taxes and liabilities	(37,255)	(53,067)
	<u>157,233</u>	<u>48,805</u>
Cash flows from investing activities:		
Purchase of equipment	(132,471)	-
	<u>(132,471)</u>	<u>-</u>
Cash flows from financing activities:		
Payments on amounts due to employee	-	(6,174)
Decrease in cash overdraft	(18,800)	(25,471)
Payments on notes payable	(1,808)	(26,235)
	<u>(20,608)</u>	<u>(57,880)</u>
Increase in cash and cash equivalents	4,154	(9,075)
Cash and cash equivalents at beginning of year	<u>20,207</u>	<u>29,282</u>
Cash and cash equivalents at end of year	<u>\$ 24,361</u>	<u>20,207</u>

See accompanying notes to financial statements.

Boys & Girls Clubs of Southeast Louisiana, Inc.

Notes to Financial Statements

June 30, 2003 and 2002

(1) Summary of Significant Accounting Policies

(a) *Organization*

Boys & Girls Clubs of Southeast Louisiana, Inc. (Boys & Girls Clubs), an affiliate member of the Boys & Girls Clubs of America, is chartered in the State of Louisiana as a non-profit organization. Boys & Girls Clubs provides development programs such as substance abuse prevention, responsible parenting, social recreation, athletics, and arts and crafts to the youth of southeastern Louisiana. Boys & Girls Clubs operates a Teen Outreach program in several schools through southeast Louisiana. Boys & Girls Clubs currently maintains the following locations: New Orleans, Gretna, Slidell, Covington, Houma, and Hammond.

(b) *Fund Accounting*

Boys & Girls Clubs' accounts are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and the general practices in the voluntary health and welfare industry. In order to ensure observance of limitations and restrictions placed on the use of available resources, the accounts of Boys & Girls Clubs are maintained in accordance with fund accounting principles. Fund accounting is the procedure by which resources are classified for accounting and reporting purposes according to the activities or objectives specified.

Under these provisions, net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Boys & Girls Clubs and changes therein are classified and reported as follows:

- **Unrestricted net assets** - Net assets not subject to donor-imposed stipulations.
- **Temporarily restricted net assets** - Net assets subject to donor-imposed stipulations that may or will be met either by actions of Boys & Girls Clubs and/or the passage of time.
- **Permanently restricted net assets** - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of Boys & Girls Clubs pursuant to those stipulations.

(c) *Cash and Cash Equivalents*

For purposes of the cash flow statement, cash and cash equivalents consist of highly liquid investments with an original maturity of three months or less.

(d) *United Way Campaign Support*

Boys & Girls Clubs is classified as a Youth Development agency in accordance with the United Way for the Greater New Orleans Area Priority Study.

Boys & Girls Clubs derives approximately 33% of its support from the United Way. United Way donations are recognized as temporarily restricted revenue and accounts receivable when the award letters are released for the following fiscal year. In the following fiscal year, the time restriction is fulfilled and the asset is released as an unrestricted asset.

Boys & Girls Clubs of Southeast Louisiana, Inc.

Notes to Financial Statements

June 30, 2003 and 2002

(1) Summary of Significant Accounting Policies (continued)

(e) *Contributions*

All contributions are considered to be available for the general programs of Boys & Girls Clubs unless specifically restricted by the donor. Boys & Girls Clubs reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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. Donor restricted contributions whose restrictions are met within the same year as received are classified as unrestricted contributions in the accompanying combined financial statements.

(f) *Donated Materials and Services*

Boys & Girls Clubs reports in their financial statements voluntary donations of materials and services when those materials and services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation. Such donations amounted to \$17,360 for the year ended June 30, 2003 and were expensed as professional fees. No such donations were received for the year ended June 30, 2002.

(g) *In-kind Support*

The Boys & Girls Clubs records the value of in-kind support related to the free use of four of its club facilities, which amounted to \$35,672 for each of the years ended June 30, 2003 and 2002.

(h) *Due From (To) Other Classes of Assets*

The balance due from (to) other classes of assets represents the amount owed from (due to) other net asset classifications primarily to provide cash, on a temporary basis, for current operations.

(i) *Land, Building and Equipment*

Purchases of land, buildings and equipment having a unit cost in excess of \$1,000 and an estimated useful life of two or more years are capitalized at cost. Donated assets are capitalized at the estimated fair market value at date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Boys & Girls Clubs' policy does not imply time restrictions expiring over the useful life of donated assets. In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted support.

(j) *Federal Income Tax*

Boys & Girls Clubs is exempt from Federal income taxation under the Internal Revenue Code Section 501(c)(3).

Boys & Girls Clubs of Southeast Louisiana, Inc.

Notes to Financial Statements

June 30, 2003 and 2002

(1) Summary of Significant Accounting Policies (continued)

(k) *Retirement Plan*

Boys & Girls Clubs participates in a defined contribution retirement plan administered by the Boys & Girls Clubs of America Pension Trust which covers all full-time employees after three complete years of service. As the plan is a multi-employer plan, Boys & Girls Clubs relative position and undertaking cannot be determined and, accordingly, disclosure of the actuarial present value of vested and nonvested accumulated plan benefits, net assets available for benefits, assumed rates of return, and date as of which such benefit information was determined is not available or required. The plan provides a pension funded by the employer and the employee. The current plan is one of gradual contributions based upon 10% of annual salary. The first year of participation is one of equal premium payment of 5% by the employee and 5% by the employer. For the next four years, the employer share increases by 1% annually, with the employee share decreasing by 1% until the sixth year, whereupon the total 10% premium shall be paid by the employer. No pension expense was incurred for the periods ended June 30, 2003 and 2002. The Plan issues a publicly available financial report that includes financial statements and required supplementary information.

(l) *Compensated Absences*

Employees earn between ten to twenty vacation days annually depending upon the number of years of service. Employees are not allowed to carry forward vacation time to the next year and any unused vacation time is lost.

Employees earn ten days of sick leave per calendar year. Sick leave is not carried forward to the next year and the employee loses any unused sick leave.

(m) *Functional Expenses*

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

(n) *Use of Estimates*

Management of Boys & Girls Clubs has made estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

Boys & Girls Clubs of Southeast Louisiana, Inc.

Notes to Financial Statements

June 30, 2003 and 2002

(2) Net Assets

As of June 30, temporarily restricted net assets consist of the following:

	<u>2003</u>	<u>2002</u>
Use restrictions – scholarship and other	\$ 23,004	\$ 23,004
Time restrictions – United Way	317,788	304,753
Total	\$ 340,792	\$ 327,757

As of June 30, permanently restricted net assets consist of the following:

	<u>2003</u>	<u>2002</u>
Capital improvements	\$ 2,650	\$ 2,650

(3) Land, Buildings and Equipment

Land, buildings, and equipment consist of the following as of June 30:

	<u>2003</u>	<u>2002</u>
Land	\$ 92,360	\$ 92,360
Building	445,724	313,253
Pool	320,000	320,000
Furniture, fixtures, and equipment	148,480	170,111
	<u>1,006,564</u>	<u>895,724</u>
Less accumulated depreciation	511,898	448,707
Land, buildings and equipment – net	\$ 494,666	\$ 447,017

(4) United Way Contributions

United Way contributions consist of the following:

<u>Agency</u>	<u>2003</u>		<u>2002</u>	
	<u>Allocation</u>	<u>Designation</u>	<u>Allocation</u>	<u>Designation</u>
United Way for Greater New Orleans Area	\$ 284,569	\$ 27,280	\$ 296,911	\$ 13,231
United Way for Tangipahoa Parish	25,000	-	24,575	425
Total	\$ 309,569	\$ 27,280	\$ 321,486	\$ 13,656

Boys & Girls Clubs of Southeast Louisiana, Inc.

Notes to Financial Statements

June 30, 2003 and 2002

(5) Notes Payable

Notes payable at June 30 consist of the following:

	<u>2003</u>	<u>2002</u>
10.5% note payable, due in full on 8/21/02	\$ -	\$ 1,808

Included in occupancy expense is \$2,076 of interest expense for the year ended June 30, 2002. No interest was paid for the year ended June 30, 2003.

(6) Related Party Transactions

Included in accounts receivable – grants & other is \$76,465 and \$82,046 due from the national organization, Boys & Girls Clubs of America, as of June 30, 2003 and 2002. For the years ended June 30, 2003 and 2002, Boys & Girls Clubs recognized \$159,418 and \$206,426 of grant revenue from the Boys & Girls Clubs of America. For the years ended June 30, 2003 and 2002, Boys & Girls Clubs recognized \$500 and \$5,830 of expenditures for the annual dues owed to the Boys & Girls Clubs of America.

(6) Operating Leases

Boys & Girls Clubs leases office space and club facilities from various vendors. Lease expense for these agreements for the periods ending June 30, 2003 and 2002 are \$25,755 and \$26,130.

During the year ended June 30, 2002, Boys & Girls Clubs leased a vehicle that was used in the conduct of its business. Lease expense for this agreement for the periods ending June 30, 2002 and 2003 was \$400 for each period.

As of June 30, 2003, future minimum lease payments are as follows:

Year ending June 30, 2004	\$ 27,400
Year ending June 30, 2005	<u>17,000</u>
Total	<u>\$ 44,400</u>

Boys & Girls Clubs of Southeast Louisiana, Inc.

Notes to Financial Statements

June 30, 2003 and 2002

(8) Payroll Tax

Boys & Girls Clubs has substantial amounts of delinquent federal and state payroll taxes. The estimated amounts due at June 30, 2003 and 2002 were approximately \$111,000 and \$144,000. Included in these amounts at June 30, 2003 and 2002, respectively, are \$74,340 and \$128,840 due to the Internal Revenue Service for substantially delinquent payroll taxes and related interest for the quarters ended December 31, 1999 through March 31, 2001. The Internal Revenue Service has established an installment plan, which began in May 2002, in the amount of \$3,800 per month until the balance is paid in full.

Management's plans to liquidate this liability include (1) financial support from the Boys & Girls Clubs National organization and (2) improved expense control. The Boys & Girls Clubs of America, the national organization, has agreed to provide Boys & Girls Clubs with the funding to pay off the balance, including interest, due the Internal Revenue Service.

(9) Contingencies

Boys & Girls Clubs is involved in a civil suit brought against it by a former employee alleging employer contributions were not contributed to the retirement plan. Legal expenses in excess of accruals could be incurred as a result of this litigation. Management believes that the impact of this suit will not materially impact the financial condition of the Boys & Girls Clubs.



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

Board of Directors
Boys & Clubs of
Southeast Louisiana, Inc.

We have audited the combined financial statements of Boys & Girls Clubs of Southeast Louisiana, Inc. (Boys & Girls Clubs) as of and for the years ended June 30, 2003 and 2002, and have issued our report thereon dated March 2, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Boys & Girls Clubs' combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Boys & Girls Clubs' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted the following matters disclosed in Appendix A (03.1 - 03.5) involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management and the State of Louisiana Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document

Metairie, Louisiana
March 2, 2004

Boys & Girls Clubs of Southeast Louisiana Inc.
Schedule of Findings and Questioned Costs – Current Year

June 30, 2003

03.1 – Bank Reconciliations

Comment: Bank reconciliations are not being performed on a regular basis.

We recommend that all bank accounts be reconciled monthly with review and approval by an individual who does not prepare the bank reconciliation.

Response: New accounting software has been purchased to help facilitate this process. Once installed, the new software should enable the bookkeeper to perform monthly reconciliations on a timely basis.

03.2 – Temporarily Restricted Assets

Comment: Temporarily restricted net assets of \$23,004 relating to a Scholarship Fund were used in prior years to fund the operating expenses of Boys & Girls Clubs.

We recommend that a separate bank account be established for the Scholarship Fund and that Boys & Girls identify a funding source to replenish the funds.

Response: Boys and Girls Clubs is in the process of identifying a source to replenish these funds.

03.3 – Payroll Tax and Related Liabilities

Comment: As of June 30, 2003, Boys & Girls Clubs owes \$126,426 in Federal 941 tax payments, State of Louisiana tax payments, and other payroll related liabilities to various entities. Representatives of the Internal Revenue Service and the Boys & Girls Clubs negotiated repayment terms relating to \$74,000 of delinquent federal payroll taxes under which Boys & Girls Clubs is to extinguish these obligations. Payments for state payroll tax deposits and other payroll related liabilities continue to be paid untimely.

We recommend Boys & Girls Clubs implement a procedure to ensure that payroll tax deposits and other payroll related liabilities are paid on a timely basis for the current fiscal year ended June 30, 2004.

Response: Offers in Compromise are being investigated with the Internal Revenue Service and the State of Louisiana to settle these balances.

03.4 Financial Statements

Comment: Boys & Girls Clubs does not prepare accurate monthly financial statements on a sometime basis. Accurate interim financial data are required to adequately monitor financial performance and compliance during the year.

We recommend that the Boys & Girls Clubs develop procedures to produce accurate interim financial statements on a routine basis.

Boys & Girls Clubs of Southeast Louisiana Inc.

Schedule of Findings and Questioned Costs – Current Year

June 30, 2003

03.4 Financial Statements, Continued

Response: Boys & Girls Clubs will develop procedures to prepare accurate monthly financial information prior to the fiscal year ending June 30, 2004. The Executive Director will be responsible developing and implementing the plan.

03.5 Report Filed Delinquent

Comment: Boys & Girls Clubs did not file its report by December 31, 2003 as required by Louisiana Law.

Response: The Club is reviewing its financial statement process and is committed to file timely in the future.

Boys & Girls Clubs of Southeast Louisiana Inc.

Schedule of Findings and Questioned Costs – Prior Year

June 30, 2003

01.1 – Bank Reconciliations

Comment: Bank reconciliations are not being performed on a regular basis.

We recommend that all bank accounts be reconciled monthly with review and approved by an individual who does not prepare the bank reconciliation.

Response: Boys & Girls Clubs has employed a qualified accountant who will be responsible for recording financial data. The accountant will be required to prepare the bank reconciliation monthly beginning in January 2003.

Status: Repeated

01.2 – Temporarily Restricted Assets

Comment: Temporarily restricted net assets of \$23,004 relating to a Scholarship Fund were used in prior years to fund the operating expenses of Boys & Girls Clubs.

We recommend that a separate bank account be established for the Scholarship Fund and that Boys & Girls identify a funding source to replenish the funds.

Response: Boys and Girls Clubs are in the process of identifying a source to replenish these funds.

Status: Repeated

01.3 – Payroll Tax and Related Liabilities

Comment: As of June 30, 2002, Boys & Girls Clubs owes \$163,681 in Federal 941 tax payments, State of Louisiana tax payments, and other payroll related liabilities to various entities. Representatives of the Internal Revenue Service and the Boys & Girls Clubs negotiated repayment terms relating to \$128,000 of delinquent federal payroll taxes under which Boys & Girls Clubs is to extinguish these obligations. Payments for state payroll tax deposits and other payroll related liabilities continue to be paid untimely.

We recommend Boys & Girls Clubs implement a procedure to ensure that payroll tax deposits and other payroll related liabilities are paid on a timely basis for the current fiscal year ended June 30, 2003.

Response: The Boys and Girls Clubs are prepared an offer to settle this balance with the IRS.

Status: Repeated

Boys & Girls Clubs of Southeast Louisiana Inc.

Management's Response to the Schedule of Findings and Questioned Costs

June 30, 2003

03.1 – Bank Reconcillations

Response: New accounting software has been purchased to help facilitate this process. Once installed, the new software should enable the bookkeeper to perform monthly reconciliations on a timely basis.

03.2 – Temporarily Restricted Assets

Response: Boys and Girls Clubs is in the process of identifying a source to replenish these funds.

03.3 – Payroll Tax and Related Liabilities

Response: Offers in Compromise are being investigated with the Internal Revenue Service and the State of Louisiana to settle these balances.

03.4 Financial Statements

Response: Boys & Girls Clubs will develop procedures to prepare accurate monthly financial information prior to the fiscal year ending June 30, 2004. The Executive Director will be responsible developing and implementing the plan.

03.5 Report Filed Delinquent

Response: The Club is reviewing its financial statement process and is committed to file timely in the future.