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SAFE HARBOR, INC.

REPORT OF THE AUDIT OF THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 1999

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.

Release Date _____

SAFE HARBOR, INC.
REPORT OF THE AUDIT OF THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

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DELPHINE A. CUPPAY
CERTIFIED PUBLIC ACCOUNTANT
P. O. Box 1353
Lacombe, LA 70445-1353
Phone/FAX (504) 882-5608

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Safe Harbor, Inc.
Slidell, LA 70458

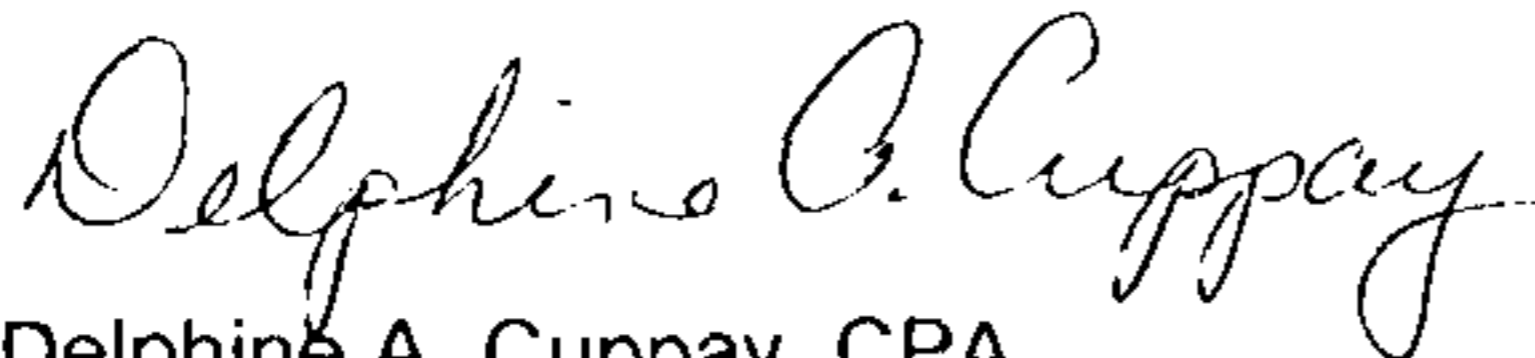
I have audited the accompanying statement of financial position of Safe Harbor, Inc., (a nonprofit organization), as of June 30, 1999, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Safe Harbor, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with general accepted auditing standards 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Safe Harbor, Inc. as of June 30, 1999, and the changes in its net assets and its cash flows for the fiscal year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 21, 1999 on my consideration of Safe Harbor, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Safe Harbor, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Delphine A. Cuppay, CPA
Lacombe, Louisiana

December 21, 1999

SAFE HARBOR, INC.
STATEMENT OF FINANCIAL CONDITION
AS OF JUNE 30, 1999

ASSETS		
Current Assets:		
Cash and cash equivalents	\$	20,854
Accts. receivable grants and contracts (Note 3)		24,250
Unconditional promise to give		5,000
Prepaid expenses		4,500

Total current assets		54,604
Fixed Assets (Note 4):		
Furniture and fixtures	35,310	
Playground equipment	7,545	
Leasehold improvements	<u>41,612</u>	
	84,467	
Less: Accumulated depreciation	<u>(43,619)</u>	40,848
Security deposits		1,505

TOTAL ASSETS		\$ 96,957
		=====
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$	3,258
Insurance payable		4,314
Payroll taxes payable		4,789

Total current liabilities		12,361
Net Assets:		
Unrestricted net assets		79,596
Temporarily restricted net assets (Note 5)		5,000

Total Net Assets		84,596

TOTAL LIABILITIES AND NETS ASSETS		\$ 96,957
		=====

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

SAFE HARBOR, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

UNRESTRICTED NET ASSETS:	
Revenue and support:	
Grants and contracts	\$ 7,685
Contributions	47,864
Membership dues	1,115
Special events	44,243
Net assets released from restrictions	223,523

TOTAL UNRESTRICTED REVENUE AND SUPPORT	324,430
EXPENSES:	
Program services	263,867
Supporting services:	
Management and general	61,606
Grant expenses	300
Fundraising expenses	8,219

TOTAL EXPENSES	333,992

DECREASE IN UNRESTRICTED NET ASSETS	(9,562)
TEMPORARILY RESTRICTED NET ASSETS	
State Grants - funding for current year	215,806
IOLTA Grant - funding for next year	5,000
Other grants and contracts for the current year	5,000
Interest income	133
Net assets released from restrictions	(223,523)

INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	2,416

DECREASE IN NET ASSETS	(7,146)
NET ASSETS AT BEGINNING OF YEAR	91,742

NET ASSETS AT END OF YEAR	\$ 84,596
	=====

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

SAFE HARBOR, INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in net assets	\$ (7,146)
Adjustments to reconcile increase/(decrease) in net assets to net cash provided by operating activities:	
Depreciation	11,409
Donated assets	(3,670)
(Increase)/Decrease in operating assets:	
Decrease in accounts receivable	6,284
Decrease in prepaid expenses	540
Increase/ (Decrease) in operating liabilities:	
Decrease in accounts payable	(349)
Increase in insurance payable	3,314
Increase in payroll taxes payable	3,455
NET CASH PROVIDED BY OPERATING ACTIVITIES	13,837
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS	13,837
BEGINNING CASH AND CASH EQUIVALENTS	7,017
NET CASH AND CASH EQUIVALENTS	\$ 20,854

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

SAFE HARBOR, INC.
STATEMENT OF FUNCTIONAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	Program Services	Managment & General	Grant Expense	Fund-Raising	Total
Compensation and related expenses:					
Compensation:					
Executive Director	\$ 20,929	11,269			\$ 32,198
Office Administrator	14,166	9,444			23,610
Volunteer Coordinator	11,911				11,911
Counselors	23,221				23,221
Court Advocates	3,742				3,742
House Managers	57,204				57,204
Children's Coordinator	5,318				5,318
Relief Staff	12,796				12,796
Related benefits:					
Payroll taxes	13,827	1,918			15,745
Advertising	104				104
Accounting	5,852	2,508			8,360
Audit	4,000				4,000
Automobile	2,778				2,778
Bank charges			42		42
Building lease	12,000	17,013			29,013
Client services	3,172				3,172
Client transportation	1,459				1,459
Depreciation	8,284	3,125			11,409
Dues & subscriptions			64		64
Food supplies	3,690				3,690
Fundraising expenses				8,219	8,219
Grant expenses			300		300
Insurance expense	11,734	1,050			12,784
Interest expense		272			272
Legal-IOLTA expenses	11,925				11,925
Maintenance-Equipment	1,224	280			1,504
Maintenance-Shelter	4,666				4,666
Meetings & conventions	5,262	563			5,825
Miscellaneous	1,104				1,104
Office supplies	1,264	7,392			8,656
Postage		390			390
Telephone	12,789	4,763			17,552
Utilities	9,446	1,513			10,959
TOTALS	\$ 263,867	61,606	300	8,219	\$ 333,992

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

SAFE HARBOR, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. *Organization*

(1) The Organization

Safe Harbor, Inc. was incorporated as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code to provide services to women and their dependent children who are victims of domestic violence. It operates a twenty-one bed facility which provides temporary housing for its clients. Clients also receive food, clothing, free medical and dental care as well as information on housing, legal and welfare aid, educational assistance, training and employment counseling.

(2) Economic Dependence

Safe Harbor, Inc. is significantly funded by the State of Louisiana, Office of Women's Services. Should the Office of Women's Services cut its funding or disallow items, Safe Harbor, Inc. would be required to reduce its services.

B. *Significant Accounting Policies*

(1) Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, Safe Harbor, Inc. is required to report its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Also required is the presentation of a statement of cash flows.

Unrestricted net assets represent those assets which the organization may use at its discretion.

Temporarily restricted net assets result from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Safe Harbor, Inc. pursuant to those stipulations.

Permanently restricted net assets result from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Safe Harbor, Inc.

Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

Safe Harbor, Inc. does not have any permanently restricted net assets for fiscal year ended June 30, 1999.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-stipulated restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

(2) Contributions

Safe Harbor, Inc. has adopted Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions are recognized when the donor makes a promise to give and are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Safe Harbor, Inc. 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.

The organization reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

(3) Property and Equipment

Land, major renovations and major repairs and equipment are stated at cost at the date of acquisition or renovation, or, if donated, at fair value at date of donation. Minor renovations or repairs are charged to operations and maintenance as incurred. Depreciation of furniture and equipment is provided on the straight-line basis over an estimated useful life of five years. Leasehold improvements are amortized over an estimated useful life of ten years. Amortization expense of leasehold improvements is included in the depreciation expense reported on the financial statements.

(4) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and expenses during the reported period. Actual results could differ from those estimates.

(5) Cash and Cash Equivalents and Concentrations of Credit Risk

Cash and cash equivalents consist of cash held in checking accounts. Management believes Safe Harbor, Inc. is not exposed to any significant credit risk on cash and cash equivalents.

(6) Functional Allocation of Expenses

The cost of providing the program and administering the related supporting services have been summarized on a functional basis in the statement of activities. Accordingly, expenses that benefit both program and supporting services have been allocated using management's estimates.

Safe Harbor, Inc.'s activities of fundraising and membership services in many cases include purposes or contents related to a program service. American Institute of Certified Public Accountants Statement of Position 98-2 states that joint costs of informational materials or activities should be allocated between fundraising and the appropriate program or general function if it can be demonstrated that a program or general function has been performed in conjunction with the appeal for funds. Although Safe Harbor, Inc. has the ability to give evidence for such combined activities, it does not allocate those portions from its fundraising and membership activities to program services.

(7) Member Dues

Membership dues are recognized as revenue when received.

(8) Donated Materials and Services

Safe Harbor, Inc. records the value of donated goods and services received when there is an objective basis available to measure their value. Donated furniture and fixtures are reflected as contributions in the accompanying statements at their estimated values at date of receipt. No amounts have been reflected in the statements for donated food, clothing or services as no objective basis is available to measure the value of such goods or services.

(9) Income Taxes

Safe Harbor, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and as such qualifies for the charitable contributions deduction. In addition, the organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Accordingly, there is no provision for federal or state income taxes.

(10) Operations

Safe Harbor, Inc. entered into a reimbursement contract with the State of Louisiana, Office of Women's Services, and State of Louisiana, Department of Social Services, Office of Community Services whereby all expenses incurred with the temporary housing program at the facility would be reimbursed by those institutions upon presentation of expenses incurred.

Also Safe Harbor, Inc. entered into an agreement with The Parish of St. Tammany, The St. Tammany Parish Sheriff's Office and The St. Tammany Parish District Attorney's Office regarding two federal grants from the United States Department of Justice, Office of Justice Programs' Grant. One grant was designated for the project "A Safer St. Tammany - Against Domestic Violence" administered by The St. Tammany Police Jury Domestic Violence Coordinating Council and the other grant was designated for the project "Domestic Violence Outreach" as part of the Stop Violence Against Women Formula Grant Program administered by Louisiana Commission on Law Enforcement and Administration of Criminal Justice. Both these grants covered expenses incurred in connection with court appearances and would be reimbursed by the appropriate institution or entity.

(12) Total Columns

Total columns are presented to facilitate financial analysis. Data in these columns do not present financial position, results of activities and changes in net assets in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE 2 - GRANTS FROM GOVERNMENTAL AGENCIES

Included in the grants from governmental agencies is \$134,117 received under a contract with the State of Louisiana, Office of Women's Services and included \$41,000 of federal funds through United States Department of Health and Human Services in connection with the Federal Family Violence Prevention and Services Act; federal funds in the amount of \$17642 through United States Department of Housing and Urban Development in connection with it Emergency Shelter Grants Program was received from the St. Tammany Parish Police Jury through an agreement with the Louisiana Department of Social Services, Office of Community Services; federal funds were received under a contract with The Parish of St. Tammany, The St. Tammany Parish Sheriff's Office and The St. Tammany Parish District Attorney's Office through the United States Department of Justice, Office of Justice Programs' Grant, in which \$39847 of federal funds were received in connection with a grant designated for the project "A Safer St. Tammany - Against Domestic Violence" and \$29601 of federal funds were received in connection with a grant designated for the project "Domestic Violence Outreach" as part of the Stop Violence Against Women Formula Grant Program.

NOTE 3 - ACCOUNTS RECEIVABLE

The accounts receivable is due from various grantors listed below for services provided through June 30, 1999. All receivables are expected to be received in a timely manner. The accounts receivable balance consists of the following:

Due from Office of Women's Services	\$14,915
Due from Office of Community Services	1,210
Due from Office of Justice Programs' Grant	4,066
Due from LA. Commission on Law Enforcement	<u>4,059</u>
Total Accounts Receivable	\$24,250

NOTE 4 - FIXED ASSETS

Depreciation is calculated using the straight line method over a useful life of five years. Leasehold improvements are amortized over ten years. Property, plant and equipment consist of the following:

<u>Property & Equipment</u>	<u>Costs as of 06/30/98</u>	<u>Additions</u>	<u>Costs as of 06/30/99</u>
Furniture and fixtures	\$ 31,640	\$ 3,670	\$ 35,310
Playground equipment	7,545		7,545
Leasehold improvements	<u>41,612</u>		<u>41,612</u>
TOTALS	\$ 80,797	\$ 3,670	\$ 84,467

<u>Property & Equipment</u>	<u>Accum. Depre. as of 06/30/98</u>	<u>Depre. Expense</u>	<u>Accum. Depre. as of 06/30/99</u>
Furniture and fixtures	\$ 14,134	\$ 5,431	\$ 19,565
Playground equipment	4,509	1,509	6,018
Leasehold improvements	<u>13,567</u>	<u>4,469</u>	<u>18,036</u>
TOTALS	\$ 32,210	\$ 11,409	\$ 43,619

Costs of Assets as of 06/30/99	\$ 84,467
Less Accumulated Depreciation	<u>43,619</u>
Net Book Value as of 06/30/99	\$ 40,848

NOTE 5 - TEMPORARY RESTRICTIONS ON ASSETS

Temporarily restricted net assets are available for the following program service expenses under the IOLTA Grant sponsored by Louisiana Bar Foundation:

Paralegal, court fees, accounting, audit costs and office supplies	\$5,000
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NOTE 6 - ACCRUED EMPLOYEE BENEFITS

No amount has been reflected in the financial statements for accrued compensated absences as the amount cannot be reasonably estimated.

NOTE 7 - DONATED MATERIALS

The value of donated materials included in the financial statements for the year ended June 30, 1999 is as follows:

Assets:	
Furniture and fixtures	\$3,670

NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Required by Statement of Accounting Standards (SFAS) No. 107, *Disclosure about Fair Value of Financial Instruments*, disclosure of fair value information about certain financial instruments is required, whether or not recognized in the statement of financial position for which it is practicable to estimate that value. The following methods and assumptions were used in estimating fair value:

	<u>Carrying Amounts</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 20,854	\$ 20,854

NOTE 9 - FUNDRAISERS

There were three major fundraisers during fiscal year ended June 30, 1999.

There was a Swim Event in which participating swimmers visited various individuals and businesses in the local community for the purpose of securing donations. Invitations were extended to sponsors, friends, members and other interested persons to attend the swim event and enjoy fun and fellowship. This fundraiser generated \$3,859 and there were virtually no expenses as the swimmers were volunteers and the facilities were donated for the day's event.

There was an afternoon Tea Party. Invitations were extended to sponsors, friends, members and other interested persons to attend the tea party and enjoy gourmet food, live music, entertainment, fun and fellowship. This fundraiser generated \$20,465 and incurred expenses of \$2,033 for net proceeds of \$18,432. And there was an evening event, Harbor Lights. Invitations were extended to sponsors, friends, members and other interested persons to attend and enjoy gourmet food, live music, entertainment, fun and fellowship. This fundraiser generated \$15,535 and incurred expenses of \$4,831 for net proceeds of \$10,704.

NOTE 10 - RENT AND RENTAL COMMITMENTS

Safe Harbor, Inc. leased its twenty-one bed shelter facility under a lease which expired on August 31, 1997. Rent was \$1,000 per month. Upon expiration of the lease agreement, the facility continued to be rented on a month to month basis at the rate of \$1,000 per month. Rent for Safe Harbor, Inc.'s Slidell business office is on a month to month basis at the rate of \$650 per month. Safe Harbor, Inc. entered into a lease contract for one year with an option to renew for its Covington office with rent stipulated at \$800 per month.

NOTE 11 - RELATED PARTY TRANSACTIONS

Rent for Safe Harbor, Inc.'s Slidell business office was paid each month to Arlington House, a building owned by a corporation in which Marian D'Antonio, President of the Board of Directors of Safe Harbor, Inc. during the fiscal year ended June 30, 1999, was a shareholder. The total amount of rent paid to Arlington House for fiscal year ended June 30, 1999 was \$8,493.

Also during the year, Lisa Harris, a member of the Board of Directors of Safe Harbor, Inc., personally loaned the organization \$7,000 without interest to cover an unexpected cash flow crunch. The Organization repaid the loan before fiscal year ended June 30, 1999.

NOTE 12 - SAFE HARBOR RESALE SHOP

Shortly before fiscal year ended June 30, 1999, Safe Harbor, Inc. began a pilot project to raise additional income for the organization. The pilot project eventually became known as Safe Harbor Resale Shop. The Organization had a considerable amount of clothing donated for its battered women's program that was not being used by its clients. It was decided to convert a couple of rooms in the back of the Organization's Slidell office into a small resale shop. The shop was only open to the public one day a week from about 1:30 PM to 4:00 P.M. Volunteers manned the shop and all proceeds received from the sale of donated clothing were recorded as donations. Shortly after fiscal year ended June 30, 1999, the Board of Directors of Safe Harbor, Inc. entered into a lease agreement for a retail shop location in the Tammany Mall Shopping Center at 3122 Pontchartrain Drive in Slidell, Louisiana. The Safe Harbor Resale Shop is open to the public from 10 A.M. to 6 P.M. six days a week to receive donations and sell slightly used quality clothing.

According to the Internal Revenue Code Section 513(e)(3), the Safe Harbor Resale Shop is exempt from unrelated business income taxes because substantially all (at least 85%) of its merchandise inventory is donated to the organization. The Safe Harbor Resale Shop also serves as a business office in the Slidell community for people who wish to make donations, cash or non-cash, for the battered women's program so that the whereabouts of the battered women's shelter may remain secret. Safe Harbor, Inc. plans to use the profits from this activity to help fund its battered women's program.

NOTE 13 - YEAR 2000 ISSUE

Management of Safe Harbor, Inc. is aware of the Year 2000 issue and has taken various steps in anticipation of the problem. These steps include the following: The Organization has replaced its main business office computers with new computers containing Pentium processors and upgraded its software with programs reporting to be Year 2000 compatible. The new computer programs are currently processing data correctly and there is no impairment of the entity's ability to prepare its financial statements.

Management is of the opinion it has done all it can to prepare for the problem and awaits to see what will transpire in the Year 2000 along with the rest of the world. If additional steps can be taken to protect its data as the Year 2000 approaches, management is willing to consider these as they become available.

NOTE 14 - SUBSEQUENT EVENTS

In July, 1999, Safe Harbor, Inc. received a grant from State of Louisiana, Office of the Governor in connection with Louisiana Commission on Law Enforcement and Administration of Criminal Justice in the amount of \$32,524.00 to purchase two 1999 Dodge Caravans, one white and one teal green. One vehicle will be used in the Slidell area and the other vehicle is to be used in the Covington area in connection with the Battered Women's Shelter Program.

In September, 1999 Safe Harbor, Inc. and St. Tammany Parish Community Action Agency, a non-profit organization under the control of the Parish of St. Tammany, entered into an agreement whereby Safe Harbor, Inc. transferred its Battered Women's Shelter Program to St. Tammany Parish Community Action Agency. With this transfer, Safe Harbor, Inc. virtually lost all of its employees. Safe Harbor employees became St. Tammany Parish Community Action Agency employees since that organization would now manage the battered women's shelter program. The termination of all Safe Harbor, Inc. employees involved with the battered women's shelter program triggered an outlay of approximately \$6,000 in all-purpose paid leave compensation consisting of overtime hours, vacation days, sick days, etc. The transfer of the shelter provides greater stability for this important program and allows a continued expansion of services to clients parishwide. Safe Harbor, Inc. will continue being involved with the battered women's shelter in an advisory and fundraising capacity. With the day-to-day concerns of managing the battered women's shelter out of the way, Safe Harbor, Inc., in harmony with its mission statement, can now more fully focus on the issues of helping battered women and their children and educating the public about this great scourge in our society so that eventually it can be eliminated.

SUPPLEMENTARY INFORMATION RELATED TO FEDERAL AWARDS
Required by *Government Auditing Standards* and OMB Circular A-133,
Audits of States, Local Governments, and Non-Profit Organizations

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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
Safe Harbor, Inc.
Slidell, LA 70458

I have audited the financial statements of Safe Harbor, Inc., (a nonprofit organization), as of and for the year ended June 30, 1999, and have issued my report thereon dated December 21, 1999. I conducted my audit in accordance with generally accepted auditing standards 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 Safe Harbor, Inc.'s financial statements are free of material misstatement, I 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

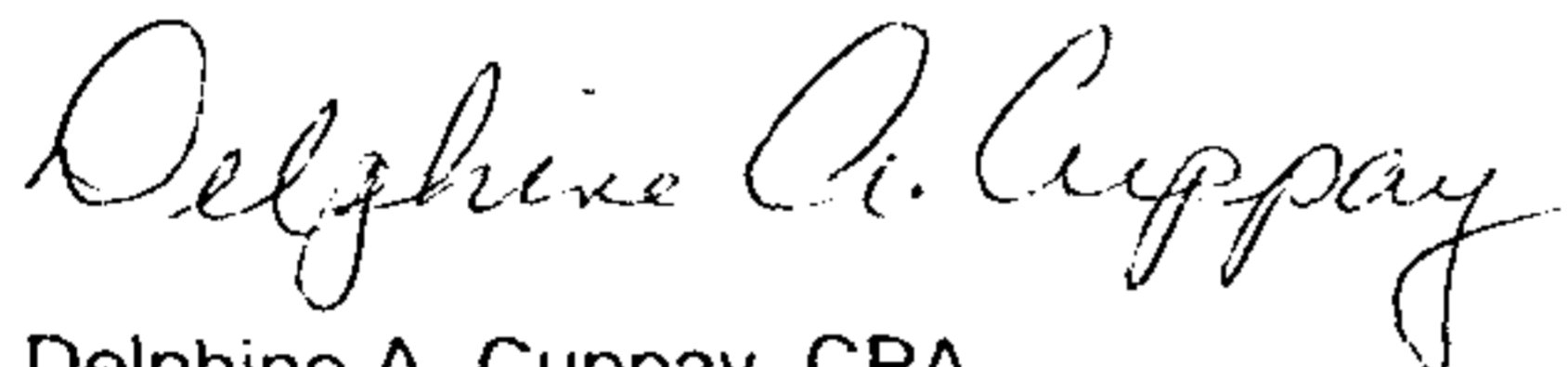
Internal Control Over Financial Reporting

In planning and performing my audit, I considered Safe Harbor, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my

attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Safe Harbor, Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 1999-1.

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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I considered item 1999-1 to be a material weakness. I also noted other matters involving the internal control over financial reporting, which I have reported to management of Safe Harbor, Inc. in a separate letter dated December 21, 1999.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Delphine A. Cuppay, CPA
Lacombe, Louisiana

December 21, 1999

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

Board of Directors
Safe Harbor, Inc.
Slidell, LA 70458

Compliance

I have audited the compliance of Safe Harbor, Inc., (a nonprofit organization), with the types of compliance requirements described in the "U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 1999. Safe Harbor, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Safe Harbor, Inc.'s management. My responsibility is to express an opinion on Safe Harbor, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that I 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 Safe Harbor, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Safe Harbor, Inc.'s compliance with those requirements.

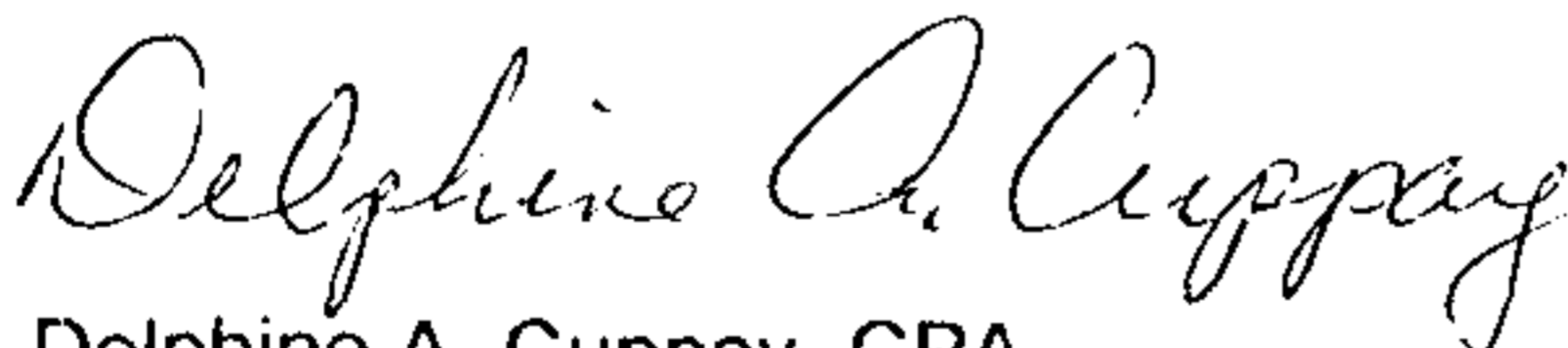
In my opinion, Safe Harbor, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

The management of Safe Harbor, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Safe Harbor, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Delphine A. Cuppay, CPA
Lacombe, Louisiana

December 21, 1999

SAFE HARBOR, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. Department of Justice Office of Justice Programs' Grant which grant was designated for the project, "A Safer St. Tammany - Against Domestic Violence": Pass-through grantor - The Parish of St. Tammany, and administered by The St. Tammany Parish Police Jury Domestic Violence Coordinating Counsel	16.590	Grant Award No. 97-WE-VX-0059	\$ 39,847
U. S. Department of Justice Office of Justice Programs' Grant which grant was designated for the project, "Domestic Violence Outreach" in connection with Stop Violence Against Women Formula Grant Program: Pass-through grantor - State of Louisiana, Office of the Governor and administered by Louisiana Commission on Law Enforcement and Administration of Criminal Justice	16.588	Subgrant No. 97-M8-M.05-0446 Project ID# M97-8-013	<u>29,601</u>
Total U. S. Department of Justice			\$ 69,448
U. S. Department of Health and Human Services: Federal Family Violence Prevention and Services Act: Pass-through grantor - State of Louisiana, Office of Women's Services	93.671	CFMS 536768	\$ 41,000
U. S. Department of Housing and Urban Development: Emergency Shelter Grants Program: Pass-through grantor - State of Louisiana, Department of Social Services, Office of Community Services administered by St. Tammany Parish Community Action Agency	14.231	CFMS 536055	<u>\$ 17,642</u>
Total expenditures of federal awards			\$ 128,090

See accompanying notes to schedule of expenditures of federal awards.

SAFE HARBOR, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Safe Harbor, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES,
FEDERAL FAMILY VIOLENCE PREVENTION AND SERVICES ACT
GRANT ADMINISTERED BY OFFICE OF WOMEN'S SERVICES

In accordance with terms of the grant, the organization has expended matching contributions totaling 20% of federal dollars earmarked for this grant amounting to \$8,835 during the year ended June 30, 1999.

NOTE C: U. S. DEPARTMENT OF HOUSING AND URBAN
DEVELOPMENT, EMERGENCY SHELTER GRANTS PROGRAM
ADMINISTERED ST. TAMMANY PARISH COMMUNITY ACTION
AGENCY

In accordance with terms of the grant, the organization has expended matching contributions totaling \$17,642 during the year ended June 30, 1999.

SAFE HARBOR, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 1999

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Safe Harbor, Inc.
2. A reportable condition disclosed during the audit of the financial statements is reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and it is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of Safe Harbor, Inc. were disclosed during the audit.
4. The auditor's report on compliance for the major federal award programs for Safe Harbor, Inc. expresses an unqualified opinion on all major federal programs.
5. The audit disclosed no findings required to be reported by OMB Circular A-133.

6. The programs tested as major programs included:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
U. S. Department of Justice, Office of Justice Programs' Grant, designated as project "A Safer St. Tammany - Against Domestic Violence	16.590
U. S. Department of Justice, Office of Justice Programs' Grant, designated as project "Domestic Violence Outreach" in connection with Stop Violence Against Women Formula Grant Program	16.588
U. S. Department of Housing & Urban Development, Emergency Shelter Grants Program	14.231
U. S. Department of Health & Human Services, Federal Family Violence Prevention and Services Act	93.671

A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133. No programs met the threshold, however contracts with the State of Louisiana require the audit be performed in accordance with OMB Circular A-133 procedures as Safe Harbor, Inc. is a subrecipient of the State of Louisiana's major programs receiving federal awards.

3. Safe Harbor, Inc. was determined to be a low-risk auditee.

FINANCIAL STATEMENTS - FINANCIAL STATEMENTS AUDIT

Reportable Conditions

1999-1 The Size of Organization's Accounting and Administrative Staff Precludes an Effective Segregation of Duties With Regard to General Accounting Functions

Condition: During the year a failure in internal control developed involving the segregation of duties with regard to general accounting functions due to the small size of the organization's accounting and administrative staff. The Executive Director approved virtually all transactions, with the exception of transactions involving the procurement of items or services costing \$1,000 or more. This same person became responsible for recording all transactions. Because of that person's expertise in grant writing and grant requirements, there was effective allocation of costs and grant requirements were being complied with, however, general overall supervision and review of financial information was lacking.

There was adequate review and supervision over the various grants in place in that an outside CPA came in once a month to review grant expenses and prepare and/or review, before they were mailed out, the monthly reimbursement grant billing requests for the various grants. He was also on call during the month in case there were questions regarding compliance with grant contracts and during his monthly visit he specifically reviewed grant transactions.

But as far as general overall supervision and review of financial information that did not specifically involve grant transactions were concerned, the only review in place was the fact that this same outside CPA came in once a month to balance the checkbook and perform a cursory review of the overall monthly financial statements.

Criteria: Internal controls should be in place that provide reasonable assurance that there is segregation of duties with regard to approval for transactions, recordation of transactions, supervision and review of financial information.

Effect: Because of the failure to require approval from the proper level of management, (i.e. someone above administrative staff such as a designated Board member) and/or failure to subsequently review financial information in a timely fashion, transactions could be effected without the approval or knowledge of management.

Recommendation: This situation dictates that the Board of Directors should be involved in the financial affairs of the organization to provide oversight and independent review functions. A Board member could be designated to review expenditures prior to payment. Another Board member could be designated to receive, open and review the bank statement each month prior to forwarding it to the administrative staff for bank reconciliation purposes. Also monthly financial reports should be reviewed and/or discussed at Board meetings for effective management purposes.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No matters are reportable.

SAFE HARBOR, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 1999

SECTION I - FINDINGS - FINANCIAL STATEMENTS AUDIT

No findings have been reported.

SECTION II - FINDINGS AND QUESTIONED COSTS - MAJOR
FEDERAL AWARD PROGRAMS AUDIT

No findings have been reported.



SAFE HARBOR

A St. Tammany Parish
Shelter for Battered
Women and their Children
P.O. Box 402
Slidell, LA 70459
504-871-9942 or
1-888-371-3400
Fax 504-871-9851
504-643-0496.

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CORRECTIVE ACTION PLAN

December 21, 1999

Legislative Auditor
State of Louisiana
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

Safe Harbor, Inc. respectfully submits the following corrective action plan for the year ended June 30, 1999.

Name and address of independent public accounting firm:

Delphine A. Cuppay, CPA, P. O. Box 1353, Lacombe, LA 70445-1353

Audit period: July 1, 1998 through June 30, 1999

The findings from the December 21, 1999 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENT AUDIT

1999-1 The Size of Organization's Accounting and Administrative Staff Precludes and Effective Segregation of Duties With Regard to General Accounting Functions

Recommendation: Because there was adequate review and supervision over the various grants in place in that an outside CPA came in once a month to review grant expenses and prepare and/or review, before they were mailed out, the monthly reimbursement grant billing requests for the various grants and he was also on call during the month in case there were questions regarding

compliance with grant contracts and during his monthly visit he specifically reviewed grant transactions, this finding only applies to general accounting functions and does not apply to grants, the recommendation was made with regard to general overall supervision and review of financial information. Because general overall supervision and review of financial information was lacking, this situation dictates that the Board of Directors should be involved in the financial affairs of the organization to provide oversight and independent review functions. A Board member could be designated to review expenditures prior to payment. Another Board member could be designated to receive, open and review the bank statement each month prior to forwarding it to the administrative staff for bank reconciliation purposes. Also monthly financial reports should be reviewed and/or discussed at Board meetings for effective management purposes.

Action Taken: Safe Harbor's Treasurer has been designated to review expenditures prior to payment. Safe Harbor's President has been designated to receive, open and review the bank statement(s) each month prior to forwarding it on to the administrative staff for bank reconciliation purposes and monthly financial reports or financial statements will be reviewed each month at the Board meetings for effective management purposes.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No matters are reportable.

If there are any questions regarding this plan, please call Dawn Impastato, President at 504-646-2435.

Sincerely yours,

DAWN IMPASTATO
President of Safe Harbor, Inc.