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SERENITY 67

FINANCIAL STATEMENTS

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 FF 0 9 2000

ROY HEBERT

CERTIFIED PUBLIC ACCOUNTANT

7523 JEFFERSON HIGHWAY

BATON ROUGE, LOUISIANA 70806

SERENITY 67

FINANCIAL STATEMENTS

JUNE 30, 1999

Serenity 67
Financial Statements
June 30, 1999
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ROY HEBERT
CERTIFIED PUBLIC ACCOUNTANT

7523 JEFFERSON HIGHWAY
BATON ROUGE, LOUISIANA 70806
(225) 927-7555
(225) 927-7556 FAX

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Serenity 67

I have audited the accompanying statement of financial position of Serenity 67 (a non-profit 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 the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 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 Serenity 67 as of June 30, 1999, and the changes in net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated November 30, 1999, on my consideration of Serenity 67's compliance with certain provisions of laws, regulations, contracts, and grants, and on internal control over financial reporting.



Baton Rouge, Louisiana
November 30, 1999

ROY HEBERT
CERTIFIED PUBLIC ACCOUNTANT

7523 JEFFERSON HIGHWAY
BATON ROUGE, LOUISIANA 70806
(225) 927-7555
(225) 927-7556 FAX

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
Serenity 67

I have audited the financial statements of Serenity 67 (a nonprofit organization) as of and for the year ended June 30, 1999, and have issued my report thereon dated November 30, 1999. I conducted my audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Serenity 67'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 statement 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*. However, I noted certain immaterial instances of noncompliance, which I have reported to management of Serenity 67 in a separate letter dated November 30, 1999.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Serenity 67's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statement and not to provide assurance on the internal control over financial reporting. My 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 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting, which I have reported to management of Serenity 67 in a separate letter dated November 30, 1999.

This report is intended for the information of the board of directors, management, and the Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to be 'R. Allen', written over a horizontal line.

Baton Rouge, Louisiana
November 30, 1999

Serenity 67
Statement of Financial Position
June 30, 1999

ASSETS

Current assets	
Cash in bank	\$ 12,263
Grants receivable	38,545
Total current assets	50,808
Property, plant and equipment	
Office furniture and fixtures	13,714
Office machinery and equipment	65,569
Vehicle	48,636
Leasehold improvements	8,507
	136,426
Accumulated depreciation and amortization	(48,231)
Net property, plant and equipment	88,195
TOTAL ASSETS	\$ 139,003

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 2,008
Accrued payroll	5,260
Accrued and withheld payroll taxes	2,466
Total current liabilities	9,734
Net assets	
Unrestricted	129,269
TOTAL LIABILITIES AND NET ASSETS	\$ 139,003

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

Serenity 67
Statement of Activities
For the Year Ended June 30, 1999

SUPPORT AND REVENUE

Support:

Contributions	\$	4,250
Total support		4,250

Revenue:

Grant funds		493,033
Interest income		2,059
Miscellaneous income		3,725
Total revenue		498,817
Total support and revenue		503,067

EXPENSES

Program services

Adult Literacy		114,023
Drug-free and Tutorial Services		69,269
Elderly and Youth Services		274,133
		457,425

Supporting services

Management and general		34,660
------------------------	--	--------

Total expenses		492,085
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Change in net assets		10,982
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Net assets, beginning of year		118,286
-------------------------------	--	---------

Net assets, end of year	\$	129,268
-------------------------	----	---------

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

Serenity 67
Statement of Cash Flows
For the Year Ended June 30, 1999

Cash flows from operating activities		
Change in net assets	\$	<u>10,982</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		19,943
(Gain)loss on disposal of property		3,412
(Increase)decrease in grants receivable		18,954
Increase(decrease) in accounts payable		(4,326)
Increase(decrease) in accrued liabilities		(1,023)
Total adjustments		<u>36,960</u>
Net cash provided (used) by operating activities		<u>47,942</u>
Cash flow from investing activities:		
Cash payments for the purchase of property		(39,656)
Cash proceeds from the sale of property		1,000
Net cash provided (used) by investing activities		<u>(38,656)</u>
Increase (decrease) in cash and equivalents		9,286
Cash and equivalents, beginnng of the year		2,977
Cash and equivalents, end of the year	\$	<u><u>12,263</u></u>

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

Serenity 67
Statement of Functional Expenses
For the Year Ended June 30, 1999

	Adult Literacy Services	Drug-free and Tutorial Youth Services	Elderly and Youth Services	Total Program Services
Accounting	\$ 5,562	\$	\$ 13,118	\$ 18,680
Advertising	9,001		295	9,296
Amortization				
Auto expenses	1,534	557	4,219	6,310
Bank charges	34	101	309	444
Building maintenance			11,656	11,656
Contract labor		6,923	13,721	20,644
Depreciation				
Food and snacks		181	6,798	6,979
Garbage pick-up		586	218	804
Grant assistance			25,257	25,257
Insurance	455	273	8,413	9,141
Licenses		600	243	843
Miscellaneous			5,090	5,090
Payroll taxes	6,778	3,281	10,750	20,809
Pest control		45	495	540
Postage			1,125	1,125
Printing			108	108
Rent	6,500	4,000	19,445	29,945
Repairs	1,507	356	4,015	5,878
Salaries	64,203	36,063	113,862	214,128
Security		214	413	627
Supplies	9,997	5,448	13,055	28,500
Telephone	1,596	1,593	2,354	5,543
Television/radio program	3,050	6,250	9,980	19,280
Travel and conferences		178	5,789	5,967
Utilities	3,806	2,620	3,405	9,831
Total expenses	\$ 114,023	\$ 69,269	\$ 274,133	\$ 457,425

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

Managment and General	Total
\$	\$ 18,680
3,045	12,341
218	218
	6,310
11	455
	11,656
537	21,181
19,725	19,725
	6,979
	804
	25,257
	9,141
23	866
1,084	6,174
	20,809
	540
	1,125
277	385
	29,945
3,037	8,915
	214,128
48	675
3,939	32,439
266	5,809
2,400	21,680
	5,967
50	9,881
\$ 34,660	\$ 492,085

Serenity 67
Notes to Financial Statements
June 30, 1999

NOTE 1: ORGANIZATION

Serenity 67 was organized in Louisiana in 1993 as a non-profit corporation for the purpose of providing human services to the residents of Louisiana House of Representatives District 67. Services provided include homemaker services for the elderly and infirm in the District, tutoring, self-esteem programs, personal hygiene programs, and drug abuse prevention and awareness counseling for the youth of the District, and adult education courses.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

Serenity 67 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, 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.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Leasehold Improvements

Leasehold improvements are carried at cost. Amortization is computed using the straight-line method over the estimated useful lives of the respective improvements. When improvements are abandoned or otherwise disposed of, the cost and related accumulated amortization are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred.

Income Taxes

Income taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. In addition, the organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 501(9) of the code.

Serenity 67
Notes to Financial Statements(continued)
June 30, 1999

Revenue Recognition

Contributions are recorded when received unless susceptible to accrual. Grant revenues are recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

Functional Expenses

Functional expenses have been allocated between program services and supporting services based on an analysis of personnel time and space utilized for the related activities.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3: BUSINESS AND CREDIT CONCENTRATIONS

Serenity 67's primary sources of revenue are from grants administered and/or funded by the State of Louisiana. During the year presented, approximately 97% of the Organization's revenues were derived from these sources. All of the amounts listed as grants receivable are from these grants.

The Organization's clients, during the year presented, all reside within Louisiana House of Representatives District 67.

NOTE 4: OPERATING LEASES

The organization has a noncancelable operating lease for facilities its occupies. The lease is for the period April 1, 1998, through April 1, 1999. The lease provides for a one year renewal at the lessee's option. The organization has exercised the option to renew. Rental expense for this lease consisted of \$19,500 for the year ended June 30, 1999.

NOTE 5: YEAR 2000 ISSUE

The Year 2000 Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Organization's operations as early as fiscal year 1999.

Serenity 67 has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 issue and that are necessary to conducting the Organization's operations. Based on this inventory, Serenity 67 has concluded that all hardware, software, and equipment are believed to be year 2000 compliant for the financial reporting system.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the

Serenity 67
Notes to Financial Statements(continued)
June 30, 1999

Organization is or will be year 2000 ready, that the Organization's remediation efforts will be successful in whole or in part, or that parties with whom the Organization does business will be year 2000 ready.

ROY HEBERT
CERTIFIED PUBLIC ACCOUNTANT

7523 JEFFERSON HIGHWAY
BATON ROUGE, LOUISIANA 70806
(225) 927-7555
(225) 927-7556 FAX

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

To the Senior Management and
the Board of Directors
Serenity 67

In planning and performing my audit of the financial statements of Serenity 67 for the year ended June 30, 1999, I considered the organization's internal control structure to plan my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit, I noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. (I previously reported on the organization's internal control structure in my report dated November xx, 1999.) This letter does not affect my report dated November xx, 1999, on the financial statements of Serenity 67. I will review the status of these comments during my next audit engagement. I will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. My comments are summarized as follows:

Organizational Structure

The size of Serenity 67's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. The situation dictates that the Board of Directors remain actively involved in the financial affairs of the organization to provide oversight and independent review functions.

Compliance with Contractual Requirements of Funding Sources

While testing Serenity 67's compliance with various requirements of its grantor agencies, I noted that the organization did not comply with two program-related requirements of one grantor. The contract called for monthly reporting of program expenditures by a specified date. While all reports were filed, they were not filed in a timely manner.

The same grantor required the use of a separate bank account for the deposit and expenditure of the grant funds and also prohibited the co-mingling of its grant funds with other organization funds. A separate bank account was maintained and used for grant funds, however, the funds were co-mingled with other funds.

These comments are identical to the ones made upon my completion of the audit for the year ended June 30, 1998, and are the only comments made in connection with that audit.

I wish to thank the Executive Director for her assistance during my audit.

This report is intended solely for the information and use of the Board of Directors, management, and the

Legislative Auditor.

A handwritten signature in black ink, appearing to be 'R. B. ...', written in a cursive style with a long horizontal stroke extending to the right.

Baton Rouge, Louisiana

November 30, 1999

SERENITY 67

COMMUNITY SERVICES CENTER

February 4, 2000

HAND DELIVERED

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Corrective Action Plan for the year ended, June 30, 1999

Dear Dr. Kyle:

In regards to the auditor's comments in his management letter issued in connection with the audit for the year ending June 30, 1999, management of Serenity 67 offers the following comments.

Organization Structure

In an attempt to provide more segregation of duties, Serenity 67 hired an in-house accountant to handle some of the financial and administrative duties. This person moved on to a job with a salary more in line with her expectations. Therefore, some of the administrative and financial duties were delegated to the Program Coordinator to assure accountability within the program. Presently, management is exploring other alternatives of which an in-house or part-time bookkeeper is a top priority. The Board of Directors of Serenity 67 will continue to remain actively involved in the financial affairs of the organization to provide oversight and independent review functions.

Compliance with Contractual Requirements of Funding Sources

One of the grantors for Serenity 67 requires monthly reporting by the 18th of the current month for the prior month and for the year to date through the prior month. While this should not be a problem for the organization, one of the financial institutions used by Serenity 67 is consistently late in providing bank statements. Management has discussed the situation with the institution and worked out a plan. The credit union has assured management that it will fax copies of future bank statements to the organization's CPA during the first five days of the month. They will send the originals at the regular time in the mailing process. Barring any unforeseen circumstances, this will enable Serenity 67 to file the monthly reports in a timely manner. (A letter from the institution

attesting to this information is on file).

Regarding the co-mingling of this same grantor's funds with other funds of Serenity 67, the organization has attempted to isolate these funds from all other funds. However, the receipt of any of these grant funds does not occur until late August or early September of each year. This puts a severe hardship on our year-round programs. In the future to continue to function in a businesslike manner, Serenity 67 will borrow money to set up a special account from which all expenditures will be paid until we receive the grant monies. Once the grant monies are received, each grant will reimburse the loan. This will alleviate any appearance of co-mingling of funds.

In addition, beginning with the next fiscal year (July 1, 2000) management is exploring several other alternatives. Of top priority is to 1) hire an in-house bookkeeper or 2) hire a part-time bookkeeper.

As the new Director of the Serenity 67 Programs, I am dedicated to successful adherence to the guidelines and deliverables in a professional and timely manner. I hope these comments and actions are responsive to the auditors' management letter points.

Sincerely,


Veronica Baptiste
Executive Director

1116 South 14th Street* Baton Rouge, La. 70802
(225)346-6920 Fax (225) 346-6953