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TEEN COURT OF MOREHOUSE, LOUISIANA, INC.

FINANCIAL REPORT

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 1-19-2000

HILL, INZINA & COMPANY

Certified Public Accountants • A Professional Corporation
701 East Madison Avenue • P.O. Box 631 • Bastrop, Louisiana 71221-0631
Telephone 318-281-4492 • Fax 318-281-4087

CONTENTS

	Page(s)
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	1
FINANCIAL STATEMENTS	
Statement of financial position	2
Statements of activities - unrestricted	3
Statements of cash flows	4
Notes to financial statements	5 - 7
INDEPENDENT AUDITOR'S 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>	8 and 9
MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDINGS	10 - 13

HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Directors
Teen Court of Morehouse, Louisiana, Inc.
Bastrop, Louisiana

We have audited the accompanying statement of financial position of Teen Court of Morehouse, Louisiana, Inc. (a nonprofit organization), as of June 30, 1999, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of Teen Court of Morehouse, Louisiana, Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Teen Court of Morehouse, Louisiana, Inc., as of June 30, 1999, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.



August 20, 1999

FINANCIAL STATEMENTS

TEEN COURT OF MOREHOUSE, LOUISIANA, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 1999

ASSETS

Cash	\$ 25,103
Property and equipment - net	<u>1,974</u>
Total assets	<u>\$ 27,077</u>

NET ASSETS

Net assets - unrestricted	<u>\$ 27,077</u>
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See notes to financial statements.

TEEN COURT OF MOREHOUSE, LOUISIANA, INC.

STATEMENTS OF ACTIVITIES - UNRESTRICTED

Years Ended June 30, 1999 and 1998

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
Operating revenues:		
Local assistance:		
City of Bastrop, Louisiana	\$ -	\$ 15,000
Morehouse Coalition	-	4,000
Morehouse Parish Police Jury	-	30,000
Morehouse Parish School Board	4,000	-
Morehouse Parish United Fund, Inc.	3,150	3,150
Donations	1,600	2,478
Court fees	395	435
Grants - Louisiana Bar Foundation	9,375	-
Other	-	107
	<u>\$ 18,520</u>	<u>\$ 55,170</u>
Operating expenses:		
Advertising/promotion	\$ 979	\$ 1,443
Donations/awards	47	125
Depreciation	504	42
Insurance	1,900	1,900
Legal and accounting	605	5
Office and postage	897	327
Repairs and maintenance	160	-
Salaries	18,026	16,008
Taxes - payroll	1,186	1,225
Travel	804	430
	<u>\$ 25,108</u>	<u>\$ 21,505</u>
Increase (decrease) in net assets - unrestricted	\$(6,588)	\$ 33,665
Net assets - unrestricted - beginning	<u>33,665</u>	<u>-</u>
Net assets - unrestricted - ending	<u>\$ 27,077</u>	<u>\$ 33,665</u>

See notes to financial statements.

TEEN COURT OF MOREHOUSE, LOUISIANA, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 1999 and 1998

	<u>Year Ended June 30,</u>	
	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$(6,588)	\$ 33,665
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	<u>504</u>	<u>42</u>
Net cash flows provided (used) by operating activities	\$(6,084)	\$ 33,707
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	<u>-</u>	<u>(2,520)</u>
Net increase (decrease) in cash	\$(6,084)	\$ 31,187
Cash - beginning	<u>31,187</u>	<u>-</u>
Cash - ending	<u>\$ 25,103</u>	<u>\$ 31,187</u>

See notes to financial statements.

TEEN COURT OF MOREHOUSE, LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 1999 and 1998

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations:

Teen Court of Morehouse, Louisiana, Inc., (the "Court") is a nonprofit corporation which provides a community based alternative to the judicial process for youthful offenders by the creation of a teen (peer) jury system and to engage in any lawful activity for which corporations may be formed under the Non-Profit Corporation Law of Louisiana. The majority of the Court's revenues are derived from donations, court fees, and grants.

The Court is governed by eleven directors who serve until successors are elected by the membership of the corporation.

Basis of Accounting:

The financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when the related liability is incurred. 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.

Use of 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.

Revenue Recognition:

Contribution received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. For the two years ended June 30, 1999, the Court did not receive any donor restricted contributions; therefore, net assets are reported in total as unrestricted.

NOTES TO FINANCIAL STATEMENTS

Depreciation:

Depreciation expense is provided on equipment on the straight-line method over an estimated useful life of five years.

Maintenance and repairs of equipment are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of equipment, the cost and accumulated depreciation are removed from the accounts and gain or loss is included in operations.

Income taxes:

The Court is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3).

Note 2. Equipment

Equipment is stated at historical cost. A summary of the equipment and applicable depreciation as of and for the years ended June 30, 1999, and 1998, is as follows:

	<u>Year Ended June 30, 1999</u>		
	<u>Cost</u>	<u>Current Depreciation</u>	<u>Accumulated Depreciation</u>
Equipment	<u>\$ 2,520</u>	<u>\$ 504</u>	<u>\$ 546</u>
	<u>Year Ended June 30, 1998</u>		
	<u>Cost</u>	<u>Current Depreciation</u>	<u>Accumulated Depreciation</u>
Equipment	<u>\$ 2,520</u>	<u>\$ 42</u>	<u>\$ 42</u>

Note 3. Related Party Transactions

The Court's articles of incorporation state that the majority of the Board of Directors will be non-salaried and will not be related to salary personnel or to parties providing services. In addition, the articles state that salaried individuals cannot vote on their own compensation and that compensation decisions will be made by the Board of Directors. For each of the years ended June 30, 1999, and 1998, one director was compensated \$6,000 for serving as assistant administrator for the Court. This director resigned their position on the board in June, 1999, due to potential conflict of being on the board and drawing a salary as assistant administrator.

NOTES TO FINANCIAL STATEMENTS

Note 4. Contingencies

The Court participates in a grant program funded by the Louisiana Bar Foundation and such program is governed by various rules and regulations of the grantor agency. Costs paid with the grant monies are subject to audit and adjustment by the grantor agency; therefore, to the extent that the Court has not complied with the rules and regulations governing the grants, refunds of any money received may be required. As of the date of this report, no correspondence had been received by the Court as to significant liabilities relating to compliance with the rules and regulations governing the grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

HILL, INZINA & COMPANY

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*

Board of Directors
Teen Court of Morehouse, Louisiana, Inc.
Bastrop, Louisiana

We have audited the financial statements of Teen Court of Morehouse, Louisiana, Inc., (a nonprofit organization) as of and for the years ended June 30, 1999, and 1998, and have issued our report thereon dated August 20, 1999. We conducted our 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 the Court's 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 99-2 and 99-4.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Court's 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the

internal control over financial reporting that, in our judgment, could adversely affect the Court's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as item 99-1 and 99-3.

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. Our 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, we consider the reportable conditions described above to be material weaknesses. We also noted another matter involving the internal control over financial reporting that we have reported to management of Teen Court of Morehouse, Louisiana, Inc., in a separate letter dated August 20, 1999.

This report is intended solely for the information and use of management, others within the organization, Board of Directors, and awarding agencies. It is not intended to be and should not be used by anyone other than these specified parties.

Hill, Arzoo & Co.

August 20, 1999

TEEN COURT OF MOREHOUSE, LOUISIANA, INC.

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDINGS
Years Ended June 30, 1999 and 1998

We have audited the financial statements of Teen Court of Morehouse, Louisiana, Inc., (a nonprofit organization), as of and for the years ended June 30, 1999, and 1998, and have issued our report thereon dated August 20, 1999. We conducted our 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. Our audit of the financial statements as of June 30, 1999, resulted in an unqualified opinion.

Section I - Summary of Auditor's Results

Report on Compliance and Internal Control Material to the Financial Statements

Compliance

Compliance Material to Financial Statements Yes No

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Section II - Financial Statement Findings

1999-1 Inadequate Segregation of Duties (initial audit)

Criteria: Adequate segregation of duties is essential to proper internal control.

Condition: The segregation of duties is inadequate to provide effective internal control.

Cause: The condition is due to economic and space limitations.

Effect: Not determined.

Recommendation: No action is recommended.

Management's
response and
planned cor-
rective action:

We concur in the finding, but it is not economically feasible nor does space allow for corrective action to be taken.

1999-2 Noncompliance with Grant Agreements (initial audit)

Criteria: The 1998 and 1999 calendar year grants from Louisiana Bar Foundation state that at the beginning of each calendar quarter, the grantee (Court) will submit to the foundation a one-page narrative explaining the grantee's use of grant funds for the quarter along with a budget report which details receipts and disbursements of grant monies for that quarter. Also, the grantee is to submit quarterly copies of news articles mentioning funding of the project with grant monies, and/or narrative description of any coverage through live or recorded media. Within 30 days of the termination of the calendar year grants, a final report must be submitted by the grantee to the foundation.

Condition: None of the quarterly reporting requirements have been met for the grant monies received as of and for the years ended June 30, 1999, and 1998. Neither has the final report been submitted to the foundation for the 1998 calendar year grant.

Cause: The Court has not adhered to the provisions of the grant agreements.

Effect: The effects, if any, of the noncompliance are not known or determinable. As of the date of this report, no correspondence had been received by the Court from the foundation as to noncompliance with the rules and regulations governing the grants.

Recommendation: The provisions of the grant agreements should be adhered to so as to not impair current or future funding sources.

Management's
response and
planned cor-
rective action:

The provisions of the grant agreements should be adhered to so as to not impair current or future funding sources.

1999-3 Inadequate Documentation of Revenues and Expenses (initial audit)

Criteria: Supporting documentation should be retained for all expenses and all transmittal advices should be retained for revenues.

Condition: Supporting documentation for an individual expenditure made during the year ended June 30, 1998, of \$2,520 was not made available to the auditor. Of \$52,150 of total receipts examined for the year ended June 30, 1998, only \$3,150 of receipts were actually supported by transmittal advices. \$4,000 of \$16,525 of total receipts examined for the year ended June 30, 1999, were not supported by transmittal advices. The unsupported revenues for both years were traced to discussion, approval, etc. of the Board of Directors.

Cause: The Board of Directors has not accepted the value of such documentation and retention of records.

Effect: Not determined.

Recommendation: We recommend that the chairman of the Board of Directors promptly address this matter to person(s) responsible for paying invoices, canceling invoices, and retaining supporting documents.

Management's response and planned corrective action: We concur in the finding and will address this matter promptly to the responsible person(s).

1999-4 Noncompliance with Filing Requirements of Internal Revenue Service (initial audit)

Criteria: The Court is being treated as a public charity for return filing purposes by the Internal Revenue Service (IRS) during the entire advance ruling period of April 1, 1997, through June 30, 2001. The IRS requires that a Form 990 (return of organization exempt from income tax) should be filed for each year in the advance ruling period for which gross receipts exceed the \$25,000 filing threshold.

Condition: As of the date of this report, a Form 990 has not been filed for the year ended June 30, 1998, for which gross receipts were \$55,170. The filing was due by November 15, 1998.

Cause: The Board of Directors has not adhered to the filing requirements.

Effect: The Court is subject to penalties for not filing that may be assessed by the IRS.

Recommendation: The Board of Directors should have the Form 990 prepared and filed promptly for the year ended June 30, 1998.

Management's
response and
planned cor-
rective action:

We concur in the finding and will have the Form 990 prepared and filed promptly.

HILL, INZINA & COMPANY

Board of Directors
Teen Court of Morehouse, Louisiana, Inc.
Bastrop, Louisiana

We have audited the financial statements of Teen Court of Morehouse, Louisiana, Inc., as of and for the years ended June 30, 1999, and 1998, and have issued our report thereon dated August 20, 1999. We conducted our audit in accordance with generally accepted principles and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of our examination, we have issued our report on the financial statements, dated August 20, 1999, and our report on internal control and compliance with laws, regulations, contracts, and grants, dated August 20, 1999.

During the course of our examination, we became aware of the following matter which represents an immaterial deviation of compliance or a suggestion for improved internal control.

1999-1 Board of Directors' Responsibility for Budget Adoption and Other Formal Actions

Criteria: A budget for the ensuing year should be adopted prior to the beginning of the fiscal year, required actions of the Board of Directors should be conducted at public meetings, and such actions should be documented in the minutes.

Condition: The Court was a legally formed on April 17, 1997, and had its first board meeting on June 26, 1998. A formal budget was not adopted until July 24, 1997, for the year ended June 30, 1998.

The Board of Directors requested at their June 25, 1998, meeting for the treasurer to prepare a budget for the year ended June 30, 1999, to be presented at the next meeting for review. Minutes of subsequent meetings through the date of this letter did not mention the review or formal adoption of such budget by the Board of Directors.

Cause: The Board of Directors has not accepted their ultimate responsibility for pursuing and following the Court's plans and purposes as prescribed by the Court's articles of incorporation and by-laws.

Effect: Decisions to be made formally by the Board of Directors are not being finalized and properly conducted at public meetings and/or are not being adequately documented in the minutes of the board meetings.

Recommendation: The Board of Directors should take the responsibility of ensuring that the plans and purposes of the Court as prescribed by the articles of incorporation and by-laws are being pursued and adhered to. All formal actions taken at meetings should be adequately documented in the minutes.

Management's
response and
planned cor-
rective action:

Budgets for the future years will be timely adopted. Each board member will review the Court's articles of incorporation and by-laws to determine their responsibilities of service to the Court. Actions taken at all board meetings will be adequately documented in the minutes.

We recommend that management address the foregoing issue as an improvement to operations and administration of public programs. We are available to further explain the suggestion or to help implement the recommendation.

Hill, Myrta & Co.

August 20, 1999