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CHEZ HOPE, INC.

INDEPENDENT AUDITOR'S REPORT AND REPORT ON COMPLIANCE AND INTERNAL CONTROL

Franklin, LA

For the 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 FEB 09 2000

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**EILEEN
SHANKLIN
ANDRUS**
CERTIFIED PUBLIC
ACCOUNTANT

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American Institute
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Chez Hope, Inc.
Franklin, LA


I have audited the accompanying statement of financial position of Chez Hope, Inc. (a non-profit organization) as of June 30, 1999 and the related statement of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Chez Hope, 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 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 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 Chez Hope, Inc. as of June 30, 1999 and changes in its net assets and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 26, 1999 on my consideration of Chez Hope, 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 financial statements of Chez Hope, Inc. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Eileen Shanklin Andrus
CERTIFIED PUBLIC ACCOUNTANT

August 26, 1999

CHEZ HOPE, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 1999

ASSETS

| | |
|--|-------------------|
| Cash and cash equivalents | \$ 23,872 |
| Grant Receivables | 36,463 |
| Prepaid Expenses | 3,084 |
| Property and Equipment (net of accumulated depreciation of \$27,705) | <u>120,759</u> |
| Total Assets | \$ <u>184,178</u> |

LIABILITIES & NET ASSETS

| | |
|-------------------------------------|-------------------|
| Liabilities: | |
| Accounts Payable | \$ 19,472 |
| Accrued Expenses | 22,545 |
| Notes Payable | 4,066 |
| Long Term Debt | <u>39,864</u> |
| Total Liabilities | <u>85,947</u> |
| Net Assets | |
| Unrestricted Net Assets | <u>98,231</u> |
| Total Net Assets | <u>98,231</u> |
| Total Liabilities and Net Assets | \$ <u>184,178</u> |

See accompanying notes.

CHEZ HOPE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1999

| | |
|--|------------------|
| UNRESTRICTED NET ASSETS | |
| SUPPORT: | |
| Federal Financial Assistance | \$ 181,667 |
| State Financial Assistance | 138,456 |
| Local Financial Assistance | 34,308 |
| Private Foundation Funds | 81,148 |
| Contributions | <u>52,871</u> |
| | <u>488,450</u> |
| REVENUE: | |
| Fundraising | <u>1,128</u> |
| Total Support and Revenue | <u>489,578</u> |
| EXPENSES: | |
| Program Services | 440,744 |
| Supporting Services: | |
| Fundraising | 49 |
| Management and General | <u>35,550</u> |
| Total Expenses | <u>476,343</u> |
| Increase in Unrestricted Net Assets | 13,235 |
| Net Assets, June 30, 1998 | <u>84,996</u> |
| Net Assets, June 30, 1999 | \$ <u>98,231</u> |

See accompanying notes.

CHEZ HOPE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 1999

| | Program | | Supporting Services | | Total |
|----------------------------------|-------------------|----|---------------------|----------------|-------------------|
| | Services | | Management | Fund | |
| | <u>Woman and</u> | | <u>and General</u> | <u>Raising</u> | |
| | <u>Children</u> | | | | <u>Total</u> |
| Audit and Accounting Fees | -- | \$ | 6,150 | -- | \$ 6,150 |
| Personnel Costs: | | | | | |
| Compensation | \$ 216,590 | | -- | -- | 216,590 |
| Employee Benefits | 9,805 | | -- | -- | 9,805 |
| Payroll Taxes | 49,534 | | -- | -- | 49,534 |
| Contract Labor | 21,798 | | | -- | 21,798 |
| Conferences and Training | | | 12,024 | -- | 12,024 |
| Dues | 391 | | -- | -- | 391 |
| Depreciation | 13,189 | | -- | -- | 13,189 |
| Client Shelter, Meals and Travel | 33,046 | | -- | -- | 33,046 |
| Insurance | 22,502 | | -- | -- | 22,502 |
| Interest | 2,039 | | -- | -- | 2,039 |
| Miscellaneous | 1,057 | | 2,717 | -- | 3,774 |
| Occupancy: | | | | | |
| Electricity and Water | 6,738 | | -- | -- | 6,738 |
| Maintenance | 11,469 | | -- | -- | 11,469 |
| Rent | 14,145 | | -- | -- | 14,145 |
| Postage | -- | | 2,813 | -- | 2,813 |
| Supplies: | | | | | |
| Office | -- | | 8,124 | -- | 8,124 |
| Other | 481 | | 3,722 | \$ 49 | 4,252 |
| Telephone | 29,723 | | -- | -- | 29,723 |
| Travel | 8,237 | | | -- | 8,237 |
| Total | \$ <u>440,744</u> | \$ | <u>35,550</u> | \$ <u>49</u> | \$ <u>476,343</u> |

See accompanying notes.

CHEZ HOPE, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 1999

| | |
|--|-------------------------|
| Cash Flows from Operating Activities | |
| Increase in Net Assets | \$ 13,235 |
| Adjustments to Net Assets | |
| Add: Depreciation | 13,189 |
| (Increase) Decrease in Assets | |
| Grant Receivables | 7,815 |
| Increase (Decrease) in Liabilities | |
| Accrued Expenses | 1,886 |
| Note Payble | 2,951 |
| Accounts Payable | <u>10,421</u> |
| Net Cash Provided (used) provided by Operating Activities | <u>49,497</u> |
| Cash Flows from Investing Activities | |
| Purchase of Equipment | <u>(13,189)</u> |
| Net Cash Provided (used) provided by Investing Activities | <u>(13,189)</u> |
| Cash Flows form Financing Activities | |
| Payments on bank loans | <u>(15,660)</u> |
| Net Cash Provided by Financing Activiti | <u>(15,660)</u> |
| New Increase in Cash and Cash Equivalents | |
| | 20,648 |
| Cash and Cash Equivalents, June 30, 1998 | <u>3,224</u> |
| Cash and Cash Equivalents, June 30, 1999 | <u><u>\$ 23,872</u></u> |

See accompanying notes.

CHEZ HOPE, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 1999

Note: Approximately \$4,800 in interest was paid during the year.

See accompanying notes.

CHEZ HOPE, INC.

Notes to the Financial Statements

For the Year Ended June 30, 1999

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Chez Hope, Inc. is a non-profit organization, which provides assistance, both emergency and non-emergency to battered persons and their children.

During the audit year Chez Hope began administering a program known as the Batterer's Intervention Program which assists known batterers in a group setting to allow for counseling and group support to learn alternate forms of behavior.

A. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets- Net Assets subject to donor-imposed stipulation that may or will be met, either by actions of the Organization and/or the passage of time.

When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

CHEZ HOPE, INC.

Notes to the Financial Statements (continued)

For the Year Ended June 30, 1999

Permanently Restricted Net Assets - Net Assets subject to donor-imposed stipulations that must be maintained. These restrictions do not expire with the passage of time.

B. Contributions

Contributions are recognized when a donor makes a promise to give. Contributions that are restricted by donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed Services meeting the requirements for recognition in the financial statements were not material and have not been recorded by Chez Hope, Inc. in these financial statements.

C. Property and Equipment

Chez Hope, Inc.'s furniture and equipment are recorded at cost. Depreciation is computed annually over the estimated useful life of the asset. All of Chez Hope's fixed assets are being depreciated over the following periods:

| | |
|-------------------------|-----------|
| Vehicles | - 5 years |
| Furniture and Equipment | - 7 years |

D. Tax Exempt Status

Chez Hope, Inc. is a nonprofit organization under Internal Revenue Code Sections 501(c)(3); therefore, no provision has been made for federal or state income taxes.

CHEZ HOPE, INC.

Notes to the Financial Statements (continued)

For the Year Ended June 30, 1999

E. Cash Equivalents

For purposes of the statement of cash flows, Chez Hope, Inc. considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

F. Estimates

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

G. Vacation and Sick Leave

Chez Hope, Inc.'s full time employees earn one day of annual leave for each full month of employment. Employees can carry a maximum of ten days annual leave to the following calendar year. Chez Hope also allows full time employees to carry a maximum of fifteen days of sick leave to the following year. When an employee is terminated, the amounts accrued are then remitted to the terminating employee.

These financial statements contain an accrual for accumulated vacation leave. The amount of accumulated sick time is not reflected in these statements due to the immaterial nature of the balances.

CHEZ HOPE, INC.

Notes to the Financial Statements (continued)

For the Year Ended June 30, 1999

NOTE 2 - ACCOUNTS RECEIVABLE

The Chez Hope, Inc. had the following amounts due from their grantors at June 30, 1999:

| | | | |
|---------|--|------------------|--|
| Federal | | \$ 24,533 | |
| State | | <u>11,930</u> | |
| Total | | \$ <u>36,463</u> | |

These amounts result from grant expenditures incurred in June, which had not been reimbursed at June 30, 1999.

NOTE 3 - PREPAID EXPENSES

The balance in prepaid expenses of \$3,084 represents the Organization's prepayment of general liability, auto and property insurance.

NOTE 4 - FURNITURE AND FIXTURES

The Chez Hope's furniture and fixtures consist of the following:

| | Beginning <u>Balance</u> | <u>Additions</u> | <u>Deletions</u> | Ending <u>Balance</u> |
|------------------------------|-----------------------------|------------------|------------------|--------------------------|
| Vehicles | \$ 27,661 | -- | -- | \$ 27,661 |
| Equipment and Furnishings | 44,226 | \$11,375 | -- | 55,601 |
| Buildings | 46,879 | -- | -- | 46,879 |
| Land | 10,000 | -- | -- | 10,000 |
| Leasehold Improvements | <u>8,323</u> | -- | -- | <u>8,323</u> |
| Total | <u>\$137,089</u> | <u>\$11,375</u> | <u>\$ --</u> | <u>\$148,464</u> |

Less: Accumulated Depreciation (27,705)

Net Fixed Assets \$120,759

CHEZ HOPE, INC.

Notes to the Financial Statements (continued)

For the Year Ended June 30, 1999

NOTE 5 - NOTE PAYABLE

The balance in note payable of \$4,065 represents a an overdraft bank line of credit, due on demand, bearing interest at 18% per annum.

NOTE 6 - LONG TERM DEBT

Chez Hope's long-term obligations consist of the following:

Note payable to St. Mary Bank at 9.10% per annum, due in monthly installments of \$347, maturing in February of 2010, secured by a lot And office building. \$ 28,374

NOTE 7 - LONG-TERM OBLIGATIONS (continued)

Note payable to St. Mary Bank at 10.125% per annum, due in monthly installments of \$600, maturing in March of 2001, secured by a two vehicles. 11,490

TOTAL LONG-TERM OBLIGATIONS \$ 39,864

- Principal maturities of long term debt are indicated below:

| <u>June 30,</u> | <u>Amount</u> |
|-----------------|-----------------|
| 2000 | \$ 7,980 |
| 2001 | 6,972 |
| 2002 | 1,981 |
| 2003 | 2,169 |
| 2004 | 2,485 |
| 2005-2010 | <u>18,277</u> |
| | <u>\$39,864</u> |

CHEZ HOPE, INC.

Notes to the Financial Statements (continued)

For the Year Ended June 30, 1999

NOTE 8 - RETIREMENT PLAN

Chez Hope, Inc. has a qualified 401 (k) deferred compensation plan for all eligible employees of the shelters. Currently, Chez Hope matches contributions to a maximum of five percent of the eligible employee's compensation.

Total employer contributions made by Chez Hope, Inc. at June 30, 1999 is \$ 6,446.

NOTE 9 - CONCENTRATIONS

The majority of support received by Chez Hope, Inc. comes from state and local organizations of the Parish of St. Mary and surrounding Parishes.

NOTE 10 - ECONOMIC DEPENDENCY

Due to Chez Hope, Inc. receiving the majority of its funding from state and local government agencies, significant budget cuts at the state or local level could have adverse effects on Chez Hope, Inc.'s operations.

As of this writing, the management of Chez Hope, Inc. is not aware of any governmental actions, which could adversely affect the funding received by Chez Hope, Inc.

SUPPLEMENTARY INFORMATION



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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
Chez Hope, Inc.
Franklin, Louisiana

I have audited the financial statements of Chez Hope, Inc. as of and for the year ended June 30, 1999 and have issued my report thereon dated August 26, 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.

As part of obtaining reasonable assurance about whether the Chez Hope, 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 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*.

In planning and performing my audit, I considered Chez Hope 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 internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. 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 Chez Hope's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item # 98-1.

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 that are also considered to be material weaknesses.

However, I consider item #98-1 to be a material weakness.

This report is intended for the information of the Board and management of the Shelter, the Legislative Auditor of the State of Louisiana, federal, state and local awarding agencies and pass-through agencies. However, this report is a matter of public record and its distribution is not limited.



Eileen Shanklin Andrus
CERTIFIED PUBLIC ACCOUNTANT

August 26, 1999

CHEZ HOPE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 1999

Section 1 Summary of Auditor's Reports

Financial Statements

Type of auditor's report issued = unqualified

Internal Control over financial reporting:

Material Weakness(es) identified Yes No

Reportable Condition(s) identified
that is not considered to be
material weaknesses Yes none reported

Noncompliance material to financial
Statements noted? Yes No

Federal Awards

Internal Control over major programs: NOT APPLICABLE

Material weakness(es) identified? Yes No

Reportable condition(s) identified
that is not considered to be
material weakness(es) ? Yes none reported

Type of auditor's report issued on compliance for major programs = NOT APPLICABLE

Any audit findings disclosed that
Are required to be reported
In accordance with section
510 (a) of Circular A-133? Yes No

Identification of major programs:

CFDA Number(s)
NONE

Name of Federal Program or Cluster
NONE

Dollar threshold used to distinguish
Between type A and type B programs: NOT APPLICABLE

Auditee qualified as low-risk auditee? Yes No

CHEZ HOPE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 1999

Section II Financial Statement Findings

#98-1 Segregation of Duties

Condition: During the course of our testing we noted that there is very little segregation of duties in the accounting function.

Cause: This condition is caused by relatively small size of the entity and its accounting department.

Effect: This condition has the effect of weakening controls in the accounting function.

Criteria: A good system of internal controls over the accounting function would not have the same person signing checks, reconciling bank statements, making deposits and entering transactions into the general ledger.

Recommendation: No recommendation due to the size of the entity.

Section III Federal Award Findings and Questioned Costs

SINGLE AUDIT NOT REQUIRED.

CHEZ HOPE, INC.

STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 1999

Section II Financial Statement Findings

#98-1 Segregation of Duties = COMMENT REPEATED IN THE JUNE 30, 1999 REPORT.

CHEZ HOPE, INC.

MANAGEMENT'S CORRECTIVE ACTION PLAN

For the year ended June 30, 1999

Section II Financial Statement Findings

#98-1 Segregation of Duties -

Management Response :

Due to the relatively small size of our staff and the limited amount of funding available to Chez Hope, Inc. we believe the costs far outweigh the benefits of the ideal segregation scenario presented to us.