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BEGINNER'S MIND, INC.

JUNE 30, 1999

BATON ROUGE, LOUISIANA

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Release Date 1-19-2000 .

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October 22, 1999

Independent Auditor's Report

To the Board of Directors
Beginner's Mind, Inc.
Baton Rouge, Louisiana

We have audited the accompanying Statement of Financial Position of Beginner's Mind, Inc. 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. 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of Beginner's Mind, Inc. as of June 30, 1999 and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 22, 1999 on our consideration of Beginner's Mind, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The Year 2000 supplementary information on pages 10-11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the Beginner's Mind, Inc. is or will become Year 2000 compliant, the Beginner's Mind, Inc.'s Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Beginner's Mind, Inc. does business are or will become Year 2000 compliant.

Respectfully submitted,

Hannis T. Bourgeois, LLP

Beginner's Mind, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 1999

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 14,097
Accounts Receivable (Net of Allowance for Bad Debts of \$2,900)	51,047
Other	<u>126</u>
Total Current Assets	65,270
Property and Equipment:	
Office Furniture	3,590
Equipment	<u>2,693</u>
	6,283
Less: Accumulated Depreciation	<u>(725)</u>
	<u>5,558</u>
Total Assets	<u>\$ 70,828</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accrued Payroll	\$ 4,282
Payroll Taxes Payable	<u>11,110</u>
Total Current Liabilities	15,392
Net Assets:	
Unrestricted	<u>55,436</u>
Total Net Assets	<u>55,436</u>
Total Liabilities and Net Assets	<u>\$ 70,828</u>

The accompanying notes are an integral part of this statement.

Beginner's Mind, Inc.

STATEMENT OF ACTIVITIES

for the year ended June 30, 1999

Support and Revenue:	
Department of Health and Hospitals Contract Revenue	\$ 112,640
Capital Area Human Services Contract Revenue	101,439
Medicaid Income	196,548
Miscellaneous Income	5,203
Donated Merchandise	<u>1,400</u>
Total Support and Revenue	417,230
Expenses:	
Program Services	326,814
Management and General	<u>49,294</u>
Total Expenses	<u>376,108</u>
Increase in Net Assets	41,122
Net Assets at Beginning of Year	<u>14,314</u>
Net Assets at End of Year	\$ <u><u>55,436</u></u>

The accompanying notes are an integral part of this statement.

Beginner's Mind, Inc.

STATEMENT OF CASH FLOWS

for the year June 30, 1999

Cash Flows from Operating Activities:	
Increase in Net Assets	\$ 41,122
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	725
Bad Debt Expense	2,900
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(35,008)
(Increase) Decrease in Other Assets	171
Increase (Decrease) in Accrued Payroll	251
Increase (Decrease) in Payroll Taxes Payable	2,280
Increase (Decrease) in Other Liabilities	<u>(200)</u>
Net Cash Provided by Operating Activities	12,241
Cash Flows from Investing Activities:	
Purchases of Equipment	<u>(3,907)</u>
Net Cash Used in Investing Activities	<u>(3,907)</u>
Net Increase in Cash and Cash Equivalents	8,334
Cash and Cash Equivalents - Beginning of Year	<u>5,763</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 14,097</u></u>

The accompanying notes are an integral part of this statement.

Beginner's Mind, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended June 30, 1999

	<u>PROGRAM SERVICES</u>			
	<u>PERSONAL SUPPORT COORDINATION</u>	<u>CASE MANAGEMENT MR/DD</u>	<u>CASE MANAGEMENT INFANTS & TODDLERS</u>	<u>OTHER</u>
Salaries	\$ 58,434	\$ 180,172	\$ 2,435	\$ 2,434
Payroll Taxes	4,286	13,216	179	179
Bad Debts	696	2,146	29	29
Insurance	2,358	7,270	98	98
Employee Benefits	159	489	7	6
Advertising & Promotion	149	459	6	6
Contract Services	2,567	7,916	107	107
Depreciation	151	467	6	6
Interest	60	186	3	3
Rent	2,067	6,374	86	86
Office Expense	1,310	4,040	55	55
Copy Machine Expense	690	2,128	29	29
Postage	241	744	10	10
Legal & Professional	-	-	-	-
Telephone	1,201	3,704	50	50
Training	218	673	9	9
Travel & Seminars	3,647	11,243	152	152
Miscellaneous	200	616	8	9
	<u>\$ 78,434</u>	<u>\$241,843</u>	<u>\$ 3,269</u>	<u>\$ 3,268</u>

The accompanying notes are an integral part of this statement.

<u>TOTAL PROGRAM SERVICES</u>	<u>MANAGEMENT & GENERAL</u>	<u>TOTAL EXPENSES</u>
\$243,475	\$ 35,377	\$278,852
17,860	2,669	20,529
2,900	-	2,900
9,824	1,468	11,292
661	99	760
620	93	713
10,697	-	10,697
630	95	725
252	38	290
8,613	1,287	9,900
5,460	814	6,274
2,876	429	3,305
1,005	151	1,156
-	5,764	5,764
5,005	749	5,754
909	136	1,045
15,194	-	15,194
<u>833</u>	<u>125</u>	<u>958</u>
<u>\$326,814</u>	<u>\$ 49,294</u>	<u>\$376,108</u>

Beginner's Mind, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 1999

Note 1 - Summary of Significant Accounting Policies -

Nature of Activities

Beginner's Mind, Inc. (the Organization) is a nonprofit organization d/b/a Community Resource Coordinators (CRC). The Organization provides personal support coordination services and case management services to the mentally retarded and developmentally disabled. The Organization provides these services under contract with Capital Area Human Services and the Department of Health and Hospitals. For qualifying participants, services are paid by Medicaid. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statement 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, as applicable. The Organization does not have temporarily or permanently restricted net assets at June 30, 1999.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Support and Revenue

All support and revenue are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor

for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of 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.

Donated Materials

Donated materials and equipment are reflected as contribution income and expense in the accompanying financial statements at their estimated values at the date of receipt.

Functional Allocation of Expenses

The costs of providing the various programs have been summarized on a functional basis in the statement of expenses. Accordingly, certain costs have been allocated among the program and supporting services benefitted based on the percentage of salaries in each category.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash equivalents include all highly liquid debt instruments and certificates of deposit with maturities of three months or less when purchased.

Property and Equipment

Property and equipment are recorded at cost. Maintenance and repairs are charged to operations and additions and improvements are capitalized. The cost of property sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the property and related accumulated depreciation accounts, and any gain or loss is credited or charged to income.

Depreciation is provided by the straight-line method over the estimated useful lives.

Concentration of Revenue

During the year ended June 30, 1999, the Organization derived approximately 27% of its revenue from the Department of Health and Hospitals and 47% of its revenue from Medicaid through the Department of Health and Hospitals.

Note 2 - Property and Equipment -

The details of property and equipment as of June 30, 1999 are as follows:

(CONTINUED)

Office Furniture	\$ 3,590
Equipment	<u>2,693</u>
	6,283
Less: Accumulated Depreciation	<u>(725)</u>
	<u>\$ 5,558</u>

Note 3 - Minimum Lease Commitments -

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 1999:

Year Ending June 30,	
2000	\$ 15,750
2001	18,300
2002	<u>11,900</u>
	<u>\$ 45,950</u>

Total rental expenses for the year ended June 30, 1999 for all operating leases was \$9,900.

REQUIRED SUPPLEMENTARY INFORMATION

Beginner's Mind, Inc.

YEAR 2000 ISSUES

June 30, 1999

The Year 2000 Issue

In October 1998, the Governmental Accounting Standards Board (GASB) issued Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*. The provisions of the GASB technical bulletin, effective for financial statements on which the auditor's report is dated after October 31, 1998, requires the Association to make disclosures about its state of readiness in addressing the Year 2000 issues for its internal computer systems and equipment. On March 29, 1999, GASB issued Technical Bulletin 99-1 which amended the previously issued disclosure requirements allowing for the disclosure to be made in the required supplementary information (RSI). *"This note is written pursuant to the Year 2000 Information and Readiness Disclosure Act, Public Law No. 105-271, 112 Stat. 2386 (1998)."*

The Year 2000 Issue is the result of shortcomings in electronic data-processing systems and other equipment that may adversely affect operations in the year 1999 and beyond.

The following stages have been identified by the GASB as necessary to implement a Year 2000-compliant system:

Awareness Stage - In this first stage, an organization establishes a budget and project plan (for example, a time line or chart noting major tasks and due date) for dealing with the Year 2000 issue.

Assessment Stage - While in this stage, an organization begins the actual process of identifying all of its systems (preparing an inventory) and individual components of the systems. An organization may decide to review all system components for Year 2000 compliance or, through a risk analysis, identify only mission-critical systems and equipment--systems and equipment critical to conducting operations to check compliance.

Remediation Stage - During this stage, an organization actually makes changes to systems and equipment. This stage involves the technical issues of converting existing systems, or switching to compliant systems. Decisions are made on how to make the system or processes Year 2000 compliant, and the required system changes are made.

Validation/Testing Stage - At this stage, an organization validates and tests the changes made during the conversion process. The development of test data and test scripts, the running of test scripts, and the review of test results are crucial for this stage of the conversion process to be successful. If the testing results show anomalies, the tested area needs to be corrected and re-tested.

The Organization is currently completing the testing of all systems and expects to be Year 2000 compliant. Expenses in the current year for the Year 2000 project were \$0 and the Organization expect to incur no additional expenses.

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 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.

OTHER SUPPLEMENTARY INFORMATION

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



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October 22, 1999

To the Board of Directors
Beginner's Mind, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Beginner's Mind, Inc. as of and for the year ended June 30, 1999 and have issued our report thereon dated October 22, 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 Beginner's Mind, Inc.'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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Beginner's Mind, Inc.'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to

the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the Board of Directors, management, the Office of the Louisiana Legislative Auditor and any cognizant agency and should not be used for any other purpose.

Respectfully submitted,

Hannis T. Bourgeois, LLP