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Financial Report
Easter Seal Society of Louisiana
For Children and Adults
With Disabilities, Inc.

August 31, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 3-10-04

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August 31, 2003 and 2002

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FINANCIAL SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Easter Seal Society of Louisiana
for Children and Adults with Disabilities, Inc.,
New Orleans, Louisiana.

We have audited the accompanying statements of financial position of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc., (a nonprofit organization) as of August 31, 2003 and 2002, and the related statements of activities, functional expenses, and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General for 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 audits provide 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 Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. as of August 31, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2003 on our consideration of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
October 29, 2003.

STATEMENTS OF FINANCIAL POSITION**Easter Seal Society of Louisiana
for Children and Adults with Disabilities, Inc.**

August 31, 2003 and 2002

| | <u>2003</u> | <u>2002</u> |
|----------------------------------|-------------------|-------------------|
| Assets | | |
| Cash | \$ 6,349 | \$ 435 |
| Accounts receivable | 587,947 | 336,052 |
| Unconditional promises to give | 130,933 | 173,540 |
| Prepaid expenses and deposits | 9,449 | 8,532 |
| Unimproved real estate | 16,218 | 16,218 |
| Equipment | 224,580 | 215,405 |
| Accumulated depreciation | <u>(184,543)</u> | <u>(172,013)</u> |
| Total assets | <u>\$ 790,933</u> | <u>\$ 578,169</u> |
| Liabilities | | |
| Bank overdraft | \$ 2,463 | \$ 36,544 |
| Accounts payable | 59,836 | 69,189 |
| Accrued vacation | 61,397 | 39,722 |
| Payroll taxes payable | 26,188 | 19,399 |
| Unearned revenue | 46,532 | 2,600 |
| Notes payable - lines of credit | 131,000 | 52,000 |
| Notes payable - term loan | 23,271 | 54,862 |
| Due to National Easter Seals | <u>147,595</u> | <u>146,073</u> |
| Total liabilities | <u>498,282</u> | <u>420,389</u> |
| Net Assets | | |
| Unrestricted (deficit) | 161,718 | (15,760) |
| Temporarily restricted | <u>130,933</u> | <u>173,540</u> |
| Total net assets | <u>292,651</u> | <u>157,780</u> |
| Total liabilities and net assets | <u>\$ 790,933</u> | <u>\$ 578,169</u> |

See notes to financial statements.

STATEMENT OF ACTIVITIES**Easter Seal Society of Louisiana
for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 2003

| | <u>Unrestricted</u> | <u>Temporary Restricted</u> | <u>Totals</u> |
|--|---------------------|---------------------------------|------------------|
| Support and Revenues | | | |
| Contract fees for services - | | | |
| Case Management (Department of Health and Hospitals): | | | |
| Region 1 (New Orleans) | \$ 482,135 | | \$ 482,135 |
| Region 3 (Thibodaux) | 406,775 | | 406,775 |
| Region 6 (Alexandria) | 386,587 | | 386,587 |
| Region 7 (Shreveport) | 593,755 | | 593,755 |
| Region 9 (Covington) | 665,296 | | 665,296 |
| Case Management (Department of Education): | | | |
| Part "C" Family Service Coordination | 48,451 | | 48,451 |
| Mental Health (Department of Health and Hospitals): | | | |
| Region 1 (New Orleans) | 96,510 | | 96,510 |
| Region 3 (Thibodaux) | 55,589 | | 55,589 |
| Region 9 (Covington) | 55,403 | | 55,403 |
| Single Point of Entry (Department of Health and Hospitals): | | | |
| Region 17 (Monroe) | 58,037 | | 58,037 |
| Region 18 (Delhi) | 41,918 | | 41,918 |
| Grant - U.S. Department of Education, Mississippi Delta Project | 192,509 | | 192,509 |
| Special events | 126,683 | | 126,683 |
| Contributions | 54,312 | \$ 5,393 | 59,705 |
| Bingo (net of expenses of \$194,888 and winnings of \$778,256) | 27,430 | | 27,430 |
| Program service fees | 8,710 | | 8,710 |
| Miscellaneous | 1,029 | | 1,029 |
| | <u>3,301,129</u> | <u>5,393</u> | <u>3,306,522</u> |
| Net assets released from restrictions: | | | |
| Expiration of time restrictions | 48,000 | (48,000) | - |
| | <u>48,000</u> | <u>(48,000)</u> | <u>-</u> |
| Total support, revenues and other support | <u>3,349,129</u> | <u>(42,607)</u> | <u>3,306,522</u> |

**Exhibit B
(Continued)**

| | <u>Unrestricted</u> | <u>Temporary Restricted</u> | <u>Totals</u> |
|--|---------------------|---------------------------------|-------------------|
| Expenses | | | |
| Program services: | | | |
| Case management: | | | |
| Region 1 (New Orleans) | 437,610 | | 437,610 |
| Region 3 (Thibodaux) | 371,276 | | 371,276 |
| Region 6 (Alexandria) | 338,949 | | 338,949 |
| Region 7 (Shreveport) | 558,249 | | 558,249 |
| Region 9 (Covington) | 604,046 | | 604,046 |
| Part "C" Family Service Coordination | 44,841 | | 44,841 |
| Mental Health: | | | |
| Region 1 (New Orleans) | 71,032 | | 71,032 |
| Region 3 (Thibodaux) | 44,802 | | 44,802 |
| Region 9 (Covington) | 47,324 | | 47,324 |
| Single Point of Entry: | | | |
| Region 17 (Monroe) | 50,968 | | 50,968 |
| Region 18 (Delhi) | 36,008 | | 36,008 |
| Direct services | 263,781 | | 263,781 |
| Public health education | 25,861 | | 25,861 |
| Professional education and training | 31,702 | | 31,702 |
| Support services: | | | |
| Management and general | 73,809 | | 73,809 |
| Fundraising | 73,782 | | 73,782 |
| Support to National Easter Seals | 97,611 | | 97,611 |
| | <u>3,171,651</u> | <u>-</u> | <u>3,171,651</u> |
| Increase (Decrease) in Net Assets | 177,478 | (42,607) | 134,871 |
| Net Assets (Deficit) | | | |
| Beginning of year | <u>(15,760)</u> | <u>173,540</u> | <u>157,780</u> |
| End of year | <u>\$ 161,718</u> | <u>\$ 130,933</u> | <u>\$ 292,651</u> |

See notes to financial statements.

STATEMENT OF ACTIVITIES**Easter Seal Society of Louisiana
for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 2002

| | <u>Unrestricted</u> | <u>Temporary Restricted</u> | <u>Totals</u> |
|--|---------------------|---------------------------------|------------------|
| Support and Revenues | | | |
| Contract fees for services - | | | |
| Case Management (Department of Health and Hospitals): | | | |
| Region 1 (New Orleans) | \$ 91,275 | | \$ 91,275 |
| Region 3 (Thibodaux) | 91,490 | | 91,490 |
| Region 6 (Alexandria) | 146,815 | | 146,815 |
| Region 7 (Shreveport) | 407,616 | | 407,616 |
| Region 9 (Covington) | 548,995 | | 548,995 |
| Case Management (Department of Education): | | | |
| Part "C" Family Service Coordination | 68,160 | | 68,160 |
| Grant - U.S. Department of Education, Mississippi Delta Project | 372,543 | | 372,543 |
| Special events | 133,840 | | 133,840 |
| Contributions | 73,763 | \$ 2,762 | 76,525 |
| Bingo (net of expenses of \$238,010 and winnings of \$961,900) | 32,190 | | 32,190 |
| Program service fees | 8,261 | | 8,261 |
| Miscellaneous | 6,940 | | 6,940 |
| | <u>1,981,888</u> | <u>2,762</u> | <u>1,984,650</u> |
| Total support and revenues | | | |
| Net assets released from restrictions: | | | |
| Expiration of time restrictions | <u>68,000</u> | <u>(68,000)</u> | <u>-</u> |
| | | | |
| Total support, revenues and other support | <u>2,049,888</u> | <u>(65,238)</u> | <u>1,984,650</u> |

**Exhibit B-1
(Continued)**

| | <u>Unrestricted</u> | <u>Temporary Restricted</u> | <u>Totals</u> |
|--|---------------------|---------------------------------|-------------------|
| Expenses | | | |
| Program services: | | | |
| Case management: | | | |
| Region 1 (New Orleans) | 94,102 | | 94,102 |
| Region 3 (Thibodaux) | 82,858 | | 82,858 |
| Region 6 (Alexandria) | 127,433 | | 127,433 |
| Region 7 (Shreveport) | 424,140 | | 424,140 |
| Region 9 (Covington) | 475,810 | | 475,810 |
| Part "C" Family Service Coordination | 66,378 | | 66,378 |
| Direct services | 440,274 | | 440,274 |
| Public health education | 28,252 | | 28,252 |
| Professional education and training | 25,541 | | 25,541 |
| Support services: | | | |
| Management and general | 73,190 | | 73,190 |
| Fundraising | 86,664 | | 86,664 |
| Support to National Easter Seals | 97,611 | | 97,611 |
| | <u>2,022,253</u> | <u>-</u> | <u>2,022,253</u> |
| Increase (Decrease) in Net Assets | 27,635 | (65,238) | (37,603) |
| Net Assets (Deficit) | | | |
| Beginning of year | <u>(43,395)</u> | <u>238,778</u> | <u>195,383</u> |
| End of year | <u>\$ (15,760)</u> | <u>\$ 173,540</u> | <u>\$ 157,780</u> |

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

**Easter Seal Society of Louisiana
for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 2003

| | Program Services | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| | Region 1 | Region 3 | Case Management | | Region 9 | Part "C" |
| | | | Region 6 | Region 7 | | |
| Salaries | \$ 288,195 | \$ 243,655 | \$ 227,972 | \$ 356,471 | \$ 399,585 | \$ 34,563 |
| Employee health and retirement and benefits | 28,498 | 18,235 | 19,063 | 35,905 | 37,821 | 4,960 |
| Payroll taxes | 23,964 | 20,844 | 18,146 | 29,142 | 32,446 | 2,644 |
| Bad debt expense | 6,865 | 4,775 | 844 | 19,303 | 10,120 | |
| Conferences, conventions and meetings | 1,276 | 329 | 425 | 823 | 288 | |
| Drawdown prizes | | | | | | |
| Equipment maintenance | 2,897 | 1,850 | 1,489 | 2,733 | 2,706 | |
| Equipment rental | 7,988 | 8,031 | 7,082 | 3,693 | 7,633 | |
| Insurance | 2,475 | 1,980 | 2,228 | 2,723 | 2,970 | 248 |
| Interest expense | 2,722 | 2,177 | 2,449 | 2,994 | 3,266 | 272 |
| Licenses and fees | 600 | 700 | 600 | 650 | 3,194 | |
| Media expenses | 963 | 2,113 | 586 | 466 | 183 | |
| Membership dues to professional associations | | | | | | |
| Miscellaneous | 746 | 482 | 429 | 1,291 | 483 | |
| Office expense | 1,506 | 20 | | 878 | 1,335 | |
| Occupancy | 28,446 | 18,320 | 14,274 | 38,147 | 44,746 | |
| Outside printing | | 785 | 557 | 210 | 1,108 | 500 |
| Postage | | 1,828 | 2,009 | 5,027 | 3,010 | |
| Professional fees and contract service payments | 10,961 | 6,690 | 7,519 | 7,788 | 8,051 | 147 |
| Specific assistance to individuals | | | | | | |
| Supplies | 10,261 | 7,045 | 6,744 | 8,920 | 5,547 | |
| Support to National Easter Seals | | | | | | |
| Telephone | 6,056 | 7,950 | 6,397 | 11,387 | 10,516 | 450 |
| Travel | 11,688 | 22,089 | 18,758 | 28,195 | 27,535 | 1,057 |
| Total expenses before depreciation | 436,107 | 369,898 | 337,571 | 556,746 | 602,543 | 44,841 |
| Depreciation of property and equipment | 1,503 | 1,378 | 1,378 | 1,503 | 1,503 | |
| Total expenses | \$ 437,610 | \$ 371,276 | \$ 338,949 | \$ 558,249 | \$ 604,046 | \$ 44,841 |

See notes to financial statements.

| Program Services | | | | | | | | | Support Services | | | |
|------------------|---------------------------|------------------|-----------------------|------------------|--------------------|-------------------------------|---|---------------------|------------------------------|------------------|--|---------------------|
| Region 1 | Mental Health Region 3 | Region 9 | Single Point of Entry | | Direct Services | Public Health Education | Professional Education and Training | Totals | Management And General | Fundraising | Support To National Easter Seals | Totals |
| Region 17 | Region 18 | | | | | | | | | | | |
| \$ 46,138 | \$ 25,368 | \$ 27,734 | \$ 30,003 | \$ 18,820 | \$ 111,698 | \$ 10,844 | \$ 9,004 | \$ 1,830,050 | \$ 25,171 | \$ 34,143 | \$ | \$ 1,889,364 |
| | 2,656 | 1,956 | 2,400 | 231 | 732 | 5,907 | | 158,364 | 12,066 | 805 | | 171,235 |
| | 3,392 | 1,845 | 1,898 | 2,163 | 1,389 | 9,430 | 931 | 639 | 3,157 | 3,421 | | 155,451 |
| | | | | | | | | 41,907 | | | | 41,907 |
| 51 | 51 | 84 | 233 | 172 | 1,651 | | 7,436 | 12,819 | 1,389 | 88 | | 14,296 |
| | | | | | | | | - | | 5,000 | | 5,000 |
| | | 25 | 70 | | 354 | 44 | | 12,168 | 439 | 306 | | 12,913 |
| 863 | 367 | 403 | 1,146 | 937 | 686 | 47 | | 38,876 | 1,211 | 333 | | 40,420 |
| 1,238 | 990 | 990 | 743 | 495 | 2,970 | 742 | 742 | 21,534 | 1,980 | 1,238 | | 24,752 |
| 1,361 | 1,089 | 1,089 | 816 | 544 | 3,266 | 816 | 816 | 23,677 | 2,177 | 1,361 | | 27,215 |
| 3,000 | 3,000 | 3,000 | | | | | | 14,744 | 223 | 5,087 | | 20,054 |
| | | 86 | | | 288 | | | 4,685 | 797 | 1,058 | | 6,540 |
| | | | 149 | 64 | | | | - | 900 | | | 900 |
| | | | 742 | 1,473 | | | | 3,644 | 2,632 | 997 | | 7,273 |
| | | | | | | | | 5,954 | 738 | | | 6,692 |
| 2,200 | 1,100 | 1,100 | 4,500 | 2,100 | 37,180 | 10,822 | 10,822 | 213,757 | 10,822 | | | 224,579 |
| 4 | | 4 | 410 | 242 | 6,702 | | | 10,522 | 810 | 3,566 | | 14,898 |
| 11 | 9 | 8 | 175 | 87 | 5,513 | 6 | | 17,683 | 697 | 1,122 | | 19,502 |
| 3,257 | 3,098 | 3,101 | 490 | 345 | 35,166 | 440 | 440 | 87,493 | 1,174 | 5,733 | | 94,400 |
| | | | | | 6,892 | | | 6,892 | | | | 6,892 |
| 1,614 | 226 | 609 | 4,024 | 3,885 | 2,632 | 290 | 165 | 51,962 | 2,740 | 6,437 | | 61,139 |
| | | | | | | | | - | | | \$ 97,611 | 97,611 |
| 1,918 | 1,298 | 1,260 | 1,953 | 1,227 | 8,993 | 503 | 388 | 60,296 | 3,805 | 1,684 | | 65,785 |
| 2,828 | 3,904 | 3,032 | 2,869 | 3,245 | 21,946 | | 874 | 148,020 | 881 | 1,403 | | 150,304 |
| 70,531 | 44,301 | 46,823 | 50,717 | 35,757 | 261,274 | 25,485 | 31,326 | 2,913,920 | 73,809 | 73,782 | 97,611 | 3,159,122 |
| 501 | 501 | 501 | 251 | 251 | 2,507 | 376 | 376 | 12,529 | | | | 12,529 |
| <u>\$ 71,032</u> | <u>\$ 44,802</u> | <u>\$ 47,324</u> | <u>\$ 50,968</u> | <u>\$ 36,008</u> | <u>\$ 263,781</u> | <u>\$ 25,861</u> | <u>\$ 31,702</u> | <u>\$ 2,926,449</u> | <u>\$ 73,809</u> | <u>\$ 73,782</u> | <u>\$ 97,611</u> | <u>\$ 3,171,651</u> |

STATEMENT OF FUNCTIONAL EXPENSES

**Easter Seal Society of Louisiana
for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 2002

Program Services

| | Case Management | | | | | | Direct Services |
|---|------------------|------------------|-------------------|-------------------|-------------------|------------------|-------------------|
| | Region 1 | Region 3 | Region 6 | Region 7 | Region 9 | Part "C" | |
| Salaries | \$ 59,900 | \$ 38,097 | \$ 81,975 | \$ 274,728 | \$ 319,149 | \$ 50,205 | \$ 177,876 |
| Employee health and retirement and benefits | 55 | 277 | 3,325 | 27,085 | 21,237 | 7,204 | 12,427 |
| Payroll taxes | 4,809 | 3,113 | 7,478 | 21,678 | 26,707 | 3,841 | 16,091 |
| Conferences, conventions and meetings | 356 | 1,238 | 187 | 2,175 | 488 | - | 4,721 |
| Equipment maintenance | - | 406 | 483 | 2,195 | 2,066 | - | 249 |
| Equipment rental | 1,511 | 1,692 | 2,065 | 1,584 | 2,768 | - | 554 |
| Insurance | 632 | 632 | 1,004 | 2,707 | 3,338 | 722 | 3,609 |
| Interest expense | 625 | 625 | 983 | 3,586 | 4,211 | 715 | 3,574 |
| Licenses and fees | 725 | 600 | 600 | 1,664 | 1,592 | - | - |
| Media expenses | 517 | 716 | 404 | 875 | 722 | - | 343 |
| Membership dues to professional associations | - | - | - | - | - | - | - |
| Miscellaneous | 1,657 | 1,686 | - | 346 | 513 | - | 119 |
| Office expense | 2,291 | 6,627 | 631 | 58 | 4,204 | - | 5,246 |
| Occupancy | 4,749 | 4,411 | 5,251 | 37,813 | 32,096 | - | 45,586 |
| Outside printing | 1,187 | 570 | 1,280 | 1,179 | 1,984 | 485 | 9,691 |
| Postage | 815 | 632 | 888 | 4,144 | 2,111 | - | 2,643 |
| Professional fees and contract service payments | 4,666 | 3,434 | 4,283 | 4,888 | 5,598 | 442 | 72,485 |
| Specific assistance to individuals | - | - | - | - | - | - | 15,437 |
| Supplies | 5,398 | 4,414 | 3,477 | 4,513 | 6,358 | - | 8,605 |
| Support to National Easter Seals | - | - | - | - | - | - | - |
| Telephone | 1,339 | 3,098 | 3,259 | 8,855 | 11,118 | 504 | 11,912 |
| Travel | 2,509 | 10,229 | 8,958 | 22,442 | 27,745 | 1,899 | 47,120 |
| Total expenses before depreciation | 93,741 | 82,497 | 126,531 | 422,515 | 474,005 | 66,017 | 438,288 |
| Depreciation of property and equipment | 361 | 361 | 902 | 1,625 | 1,805 | 361 | 1,986 |
| Total expenses | \$ 94,102 | \$ 82,858 | \$ 127,433 | \$ 424,140 | \$ 475,810 | \$ 66,378 | \$ 440,274 |

See notes to financial statements.

| Program Services | | | Support Services | | | |
|-------------------------|-------------------------------------|---------------------|------------------------|------------------|----------------------------------|---------------------|
| Public Health Education | Professional Education and Training | Totals | Management And General | Fundraising | Support To National Easter Seals | Totals |
| \$ 10,467 | \$ 8,207 | \$ 1,020,604 | \$ 22,853 | \$ 26,895 | \$ - | \$ 1,070,352 |
| - | - | 71,610 | 5,867 | 196 | - | 77,673 |
| 772 | 616 | 85,105 | 3,571 | 2,879 | - | 91,555 |
| - | 3,000 | 12,165 | 1,329 | 1,257 | - | 14,751 |
| 21 | - | 5,420 | 803 | 553 | - | 6,776 |
| 113 | - | 10,287 | 566 | 450 | - | 11,303 |
| 632 | 541 | 13,817 | 2,705 | 1,534 | - | 18,056 |
| 625 | 536 | 15,480 | 2,682 | 1,519 | - | 19,681 |
| - | - | 5,181 | 130 | 7,861 | - | 13,172 |
| - | - | 3,577 | 1,501 | 639 | - | 5,717 |
| - | - | - | 825 | - | - | 825 |
| - | - | 4,321 | 3,167 | 221 | - | 7,709 |
| - | - | 19,057 | 3,523 | - | - | 22,580 |
| 10,800 | 10,800 | 151,506 | 10,800 | 500 | - | 162,806 |
| 2,939 | - | 19,315 | 700 | 6,859 | - | 26,874 |
| - | - | 11,233 | 714 | 1,375 | - | 13,322 |
| 387 | 332 | 96,515 | 1,659 | 6,294 | - | 104,468 |
| - | - | 15,437 | - | - | - | 15,437 |
| 165 | 744 | 33,674 | 1,947 | 23,703 | - | 59,324 |
| - | - | - | - | - | 97,611 | 97,611 |
| 469 | 450 | 41,004 | 3,529 | 1,295 | - | 45,828 |
| 591 | 134 | 121,627 | 3,597 | 2,183 | - | 127,407 |
| 27,981 | 25,360 | 1,756,935 | 72,468 | 86,213 | 97,611 | 2,013,227 |
| 271 | 181 | 7,853 | 722 | 451 | - | 9,026 |
| <u>\$ 28,252</u> | <u>\$ 25,541</u> | <u>\$ 1,764,788</u> | <u>\$ 73,190</u> | <u>\$ 86,664</u> | <u>\$ 97,611</u> | <u>\$ 2,022,253</u> |

STATEMENTS OF CASH FLOWS**Easter Seal Society of Louisiana
for Children and Adults with Disabilities, Inc.**

For the years ended August 31, 2003 and 2002

| | <u>2003</u> | <u>2002</u> |
|---|------------------|-----------------|
| Cash Flows From Operating Activities | | |
| Increase (decrease) in net assets | \$ 134,871 | \$ (37,603) |
| Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities: | | |
| Depreciation | 12,529 | 9,026 |
| (Increase) decrease in operating assets: | | |
| Accounts receivable | (251,895) | (145,022) |
| Unconditional promises to give | 42,607 | 65,238 |
| Prepaid expenses and deposits | (917) | (1,689) |
| Increase (decrease) in operating liabilities: | | |
| Bank overdraft | (34,081) | 36,544 |
| Accounts payable | (9,353) | (27,482) |
| Accrued vacation | 21,675 | 10,644 |
| Payroll taxes payable | 6,789 | 7,903 |
| Unearned revenue | 43,932 | 200 |
| Due to National Easter Seals | 1,522 | 37,410 |
| Total adjustments | <u>(167,192)</u> | <u>(7,228)</u> |
| Net cash used in operating activities | <u>(32,321)</u> | <u>(44,831)</u> |
| Cash Flows Used In Investing Activities | | |
| Purchases of property and equipment | <u>(9,174)</u> | <u>(8,397)</u> |
| Cash Flows From Financing Activities | | |
| Net borrowings on notes payable | 79,000 | 52,000 |
| Payments on notes payable | <u>(31,591)</u> | <u>(31,355)</u> |
| Net cash provided by financing activities | <u>47,409</u> | <u>20,645</u> |
| Net Increase (Decrease) In Cash | 5,914 | (32,583) |
| Cash | | |
| Beginning of year | <u>435</u> | <u>33,018</u> |
| End of year | <u>\$ 6,349</u> | <u>\$ 435</u> |

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**Easter Seal Society of Louisiana
for Children and Adults with Disabilities, Inc.**

August 31, 2003 and 2002

Note 1 - NATURE OF ACTIVITIES

The Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. (the "Organization"), d/b/a Easter Seals Louisiana, is a non-profit, community-based healthcare agency organized under the laws of the State of Louisiana. The mission of the Organization is to help disabled children and adults of all ages, and their families, obtain and effectively utilize resources helpful in developing their abilities for leading more purposeful, independent lives. The Organization maintains programs and services that create an acceptance toward people with disabilities through the following: Campership, Day-Off Childcare, Equipment Loan, Post Polio Support Network, Scoliosis Screening, Specific Assistance, Family Service Coordination (Case Management) and Early Childhood Development.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization and Income Taxes

The Organization is a nonprofit corporation organized under the laws of the State of Louisiana in 1951. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is also exempt from Louisiana income tax under the authority of R.S.47:121(5).

b. Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting generally accepted in the United States of America.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Financial Statement Presentation

Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations", requires the reporting of information regarding financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets, based on donor stipulations and restrictions placed on contributions, if any.

d. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

e. Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. For the year ended August 31, 2003, the Organization had two unconditional promises to give. One is for the substantially free use of office space for approximately three years and the other is a donation made by a family foundation which is to be received over the next two year.

f. Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a 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. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Accounts receivable

The Organization provides services under contracts entered into with various state and local agencies. Accounts receivable includes amounts billed under these contracts and amounts due from patients for services provided.

A major portion of the accounts receivable balance as of August 31, 2003 and 2002 is from the Louisiana Department of Health and Hospitals. The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided as of August 31, 2003 and 2002.

h. Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Donated property is recorded at its fair market value at the date of donation.

i. Allocated Expenses

The cost of providing the various programs and other activities are summarized in the statement of functional expenses. Certain expenses have been allocated among the programs and supporting services based on management's estimate of the costs involved.

j. Reclassifications

Certain amounts for 2002 have been reclassified to correspond to the 2003 presentation.

Note 3 - UNCONDITIONAL PROMISES TO GIVE

The Organization occupies an office at 305 Baronne Street in New Orleans, Louisiana. Annual rent is substantially free, \$1 per year, under a long-term lease, which has an estimated fair value of the rent of \$48,000 per year. This unconditional promise to give has been recorded as an asset, and each year the fair value of the rent is recorded as an occupancy expense with a corresponding reduction of the asset. The lease term ends June 30, 2006.

Note 3 - UNCONDITIONAL PROMISES TO GIVE (Continued)

The Organization received a \$50,000 donation from the Ms. Ann Lowenburg in June 2000 which will be received over five years in the amount of \$10,000 per year. The funds are to be used to enhance the Specific Assistance/Equipment Loan Program offered by Easter Seals Louisiana, which makes available the purchase and/or loan of wheelchairs, walkers, crutches, canes, commodes, child care seats, etc. to families while they search for a permanent provider.

These unconditional promises to give at August 31, 2003 and 2002 are as follows:

| | <u>2003</u> | <u>2002</u> |
|--|------------------|------------------|
| Substantially free use of office space | \$136,000 | \$184,000 |
| Lowenburg Family Supporting Foundation | <u>20,000</u> | <u>20,000</u> |
| Gross unconditional promises to give | 156,000 | 204,000 |
| Less unamortized discount | <u>(25,067)</u> | <u>(30,460)</u> |
| Net unconditional promises to give | <u>\$130,933</u> | <u>\$173,540</u> |
| Amounts due in: | | |
| Less than one year | \$ 68,000 | \$ 58,000 |
| One to five years | <u>88,000</u> | <u>146,000</u> |
| Totals | <u>\$156,000</u> | <u>\$204,000</u> |

Note 4 - PROPERTY AND EQUIPMENT

At August 31, 2003 and 2002, the cost of property and equipment and accumulated depreciation were as follows:

| | <u>2003</u> | <u>2002</u> |
|-------------------------------|------------------|------------------|
| Equipment: | | |
| Furniture and fixtures | \$ 139,103 | \$ 139,103 |
| Transportation equipment | 47,789 | 47,789 |
| Office equipment | <u>37,688</u> | <u>28,513</u> |
| Total equipment | 224,580 | 215,405 |
| Unimproved real estate | 16,218 | 16,218 |
| Less accumulated depreciation | <u>(184,543)</u> | <u>(172,013)</u> |
| Net property and equipment | <u>\$ 56,255</u> | <u>\$ 59,610</u> |

Depreciation expense was \$12,529 and \$9,026 for the years ended August 31, 2003 and 2002, respectively.

Note 5 - NOTES PAYABLE

The Organization's obligations under notes payable consists of the following:

| | <u>2003</u> | <u>2002</u> |
|--|-------------|-------------|
| Line of credit with Whitney National Bank, the line of credit limit is \$40,000, the interest rate on the line of credit was 5.5% and 5.75% at August 31, 2003 and 2002, respectively, and the maturity date is September 4, 2003. | \$40,000 | \$40,000 |
| Line of credit with Whitney National Bank, the line of credit limit is \$125,000, the interest rate on the line of credit was 5.5% and 5.75% at August 31, 2003 and 2002, respectively, and the maturity date is September 19, 2003. | 41,000 | 12,000 |

Note 5 - NOTES PAYABLE (Continued)

| | <u>2003</u> | <u>2002</u> |
|--|------------------|------------------|
| Line of credit with Whitney National Bank, the line of credit limit is \$100,000, the interest rate on the line of credit was 5% at August 31, 2003, the maturity date was August 30, 2003. The line of credit was paid in full on September 16, 2003. | 50,000 | - |
| Note payable to Whitney National Bank, payable in 34 monthly installments of principal and interest of \$2,800, the note bears interest at 1% over the Whitney National Bank prime rate which was 5.75% at August 31, 2002. | - | 26,059 |
| Note payable to GMAC Financing, payable in 60 monthly installments of principal and interest of \$524, the note bears interest at 2.9%. | <u>23,271</u> | <u>28,803</u> |
| Total notes payable | <u>\$154,271</u> | <u>\$106,862</u> |

The lines of credit are secured by deposit accounts maintained in Whitney National Bank and all accounts receivable.

Future estimated principal payments are as follows:

| <u>Years Ending August 31,</u> | |
|------------------------------------|------------------|
| 2004 | \$136,693 |
| 2005 | 5,861 |
| 2006 | 6,033 |
| 2007 | <u>5,685</u> |
| Total | <u>\$154,272</u> |

Interest expense on notes payable was \$7,101 and \$3,976 for the years ended August 31, 2003 and 2002, respectively.

Note 6 - OPERATING LEASES

The Organization leases certain office facilities in New Orleans, Shreveport, Covington, Delhi, Monroe, Alexandria, Thibodaux, and Metairie. Rent expense related to these leases was \$147,484 and \$102,393 for the years ended August 31, 2003 and 2002, respectively. In addition, \$48,000 of rent expense was recorded in both years as an in-kind expense through the reduction of the unconditional promises to give described in Note 3.

The future minimum lease payments under the above described leases are as follows:

| <u>Years Ending August 31,</u> | |
|------------------------------------|------------------|
| 2004 | \$150,054 |
| 2005 | 84,654 |
| 2006 | <u>39,054</u> |
| Total | <u>\$273,762</u> |

Note 7 - EMPLOYEE BENEFIT PLANS

The Organization sponsors a defined benefit plan that covers substantially all employees. The plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service with the organization and compensation rates near retirement. Contributions to the plan reflect benefits attributed to employees' services to date, as well as services expected to be earned in the future. Plan assets consist primarily of common and preferred stock, investment-grade corporate bonds, and U.S. government obligations.

There is no service cost for the years ended August 31, 2003 and 2002.

Note 7 - EMPLOYEE BENEFIT PLANS (Continued)

The following sets forth the funded status of the plan at August 31, 2003 and 2002:

| | | |
|--|--------------------|--------------------|
| Actuarial present value of benefit obligations: | | |
| Vested benefits | \$467,412 | \$445,193 |
| Nonvested benefits | <u> -</u> | <u> -</u> |
| Accumulated benefit obligations | 467,412 | 445,193 |
| Fair value of assets held in plan | <u>338,512</u> | <u>345,777</u> |
| Excess of projected benefit obligations over plan assets | (128,900) | (99,416) |
| Unrecognized actuarial loss | <u>142,704</u> | <u>120,738</u> |
| Prepaid benefit cost | <u>\$ 13,804</u> | <u>\$ 21,322</u> |

The excess of projected benefit obligations over plan assets is amortizable over the remaining service periods of covered employees. Management has determined that the annual amortization is insignificant, and this amortization and related liability have not been recorded.

The Organization's Board of Directors voted at its June 1, 2000 meeting to freeze the pension plan effective September 1, 2000. This freeze is in anticipation of terminating the plan at a future date.

The Organization maintains a defined contribution retirement plan, which allows participants to contribute by salary reduction pursuant to Section 403(b) of the Internal Revenue Code.

Note 8 - RELATED PARTY TRANSACTIONS

The Organization is affiliated with the National Easter Seals (Easter Seals) and pays an annual membership fee. The fees were \$97,611 for each of the years ended August 31, 2003 and 2002. Easter Seals provides supplies for certain campaigns and charges the Organization for those supplies. Easter Seals also remits to the Organization contributions collected on behalf of the Organization. At August 31, 2003 and 2002, the Organization owes Easter Seals \$147,595 and \$146,073, respectively. Interest charged on the balances due Easter Seals was \$11,533 and \$11,379 for the years ended August 31, 2003 and 2002, respectively.

Note 9 - SIGNIFICANT CONTRACTS AND GRANTS

For the years ended August 31, 2003 and 2002, approximately \$2,842,000 and \$1,287,000, respectively, of contract revenue was from the State of Louisiana Department of Health and Hospitals and \$193,000 and \$377,000, respectively, of grant revenue was received from the U.S. Department of Education. The State provides annual contracts to the Organization which grant the State the right to audit program accounts and activities. Management believes that the Organization is in compliance with the provisions of these contracts and grants and that the findings of an audit, if any, would not have a material impact on the financial statements.

Note 10 - RISK MANAGEMENT

The Organization is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the years ended August 31, 2003 and 2002.

Note 11 - CASH FLOW INFORMATION

Non-cash investing and financing activities for the year ended August 31, 2002 consisted of the acquisitions of automotive equipment of \$29,257 through a note payable.

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



Bourgeois Bennett

**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,
Easter Seal Society of Louisiana
for Children and Adults with Disabilities, Inc.,
New Orleans, Louisiana.

We have audited the financial statements of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. (a nonprofit organization) as of and for the year ended August 31, 2003, and have issued our report thereon dated October 29, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provision 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 Easter Seal Society of Louisiana for Children and Adults with Disabilities, 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 judgement, could adversely affect Easter Seals Society of Louisiana for Children and Adults with Disabilities, Inc.'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 2003-1.

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. 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 believe that the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor of the State of Louisiana, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
October 29, 2003.



Bourgeois Bennett

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

To the Board of Directors,
Easter Seal Society of Louisiana
for Children and Adults with Disabilities, Inc.,
New Orleans, Louisiana.

Compliance

We have audited the compliance of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. 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 August 31, 2003. Easter Seal Society of Louisiana for Children and Adults with Disabilities, 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 Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s management. Our responsibility is to express an opinion on Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 we 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 Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s compliance with those requirements.

In our opinion, Easter Seal Society of Louisiana for Children and Adults with Disabilities, 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 August 31, 2003.

Internal Control Over Compliance

The management of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Easter Seal Society of Louisiana for Children and Adults with Disabilities, 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 our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana, 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants

New Orleans, Louisiana,
October 29, 2003.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Easter Seal Society of Louisiana
for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 2003

| <u>Federal Grantor / Pass Through Grantor / Program Title</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures</u> |
|--|------------------------------------|---------------------------------|
| U. S. Department of Education: | | |
| Passed through Easter Seals Arkansas: | | |
| Special Education – Research and Innovation to Improve Services and Results for Children with Disabilities | 84.324 | \$192,509 |
| Passed through Louisiana Department of Education: | | |
| Special Education – Grants for Infants and Families with Disabilities | 84.181A | 48,451 |
| Passed through Louisiana Department of Health and Hospitals: | | |
| Special Education – Grants for Infants and Families with Disabilities | 84.181A | <u>99,955</u> |
| | | 340,915 |
| U.S. Department of Health and Human Services: | | |
| Passed through Louisiana Department of Health and Hospitals: | | |
| Block Grant for Community Mental Health Services | 93.958 | <u>207,502</u> |
| Total | | <u>\$548,417</u> |

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Easter Seal Society of Louisiana
for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 2003

Note 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Easter Seal Society of Louisiana for Children and Adults with Disabilities, 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.

Note 2 - FINDINGS OF NONCOMPLIANCE

There were no federal award findings or questioned costs were noted during the audit of the financial statements for the year ended August 31, 2003.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Easter Seal Society of Louisiana
for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 2003

Section I - Summary of Auditor's Results

a) 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 are
not considered to be material weakness yes ___ none reported

Noncompliance material to financial statements noted? ___ yes no

b) Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ yes no

Reportable condition(s) identified that are
not considered to be material weakness ___ yes none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be
reported in accordance with section 510(a) of
Circular A-133 ___ yes no

Section I - Summary of Auditor's Results (Continued)

c) Identification of Major Programs:

| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
|--------------------|--|
| 84.324 | Special Education – Research and Innovation to Improve Services and Results for Children with Disabilities |
| 93.958 | Block Grant for Community Mental Health Services |

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? yes no

Section II - Financial Statement Findings

Internal Control

2003-1 Criteria - The Organization should have better internal controls relating to the safekeeping of assets function of their New Orleans office.

Condition - The failure to control the transfer of funds from the operating checking account to the payroll checking account creates a weakness in internal control.

Questioned Costs - None noted.

Effect – There was no effect noted during the audit of the year ended August 31, 2003. However, the failure to control the transfer of funds between bank accounts creates a weakness in internal control.

Cause - The employee who is responsible for completing payroll is also authorized to transfer the necessary funds from the organizations operating checking account to its payroll checking account.

Section I - Summary of Auditor's Results (Continued)

Internal Control (Continued)

2003-1 (Continued)

Recommendation - The transfer of funds between the Organization's operating checking account and payroll checking account should be restricted to the authorization of only the executive director.

Views Of Responsible Officials Of The Auditee When There Is Disagreement With The Findings, To The Extent Practical - None.

Section III - Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs were noted during the audit of the financial statements for the year ended August 31, 2003.

REPORTS BY MANAGEMENT

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS**

**Easter Seal Society of Louisiana
for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 2003

Section I - Internal Control and Compliance Material to the Financial Statements

Internal Control

2002 – 1 Recommendation – The facsimile signature stamp should only be authorized for the payroll checking account, to be used only in the absence of the Executive Director due to travel of time off, and with prior approval. An amount to cover the payroll disbursement for a pay period should be transferred to the payroll checking account, and transfer should only be authorized by the executive director.

Management's Response – Management has restricted the use of the facsimile signature stamp to the payroll account, to be used only when the Executive Director is absent. However, management has not restricted transfers from the operating account to the payroll account to require the approval of the Executive Director. Unresolved, see finding 2003-1, in the accompanying Schedule of Findings and Questioned Costs.

Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended August 31, 2002.

Section II - Internal Control and Compliance Material To Federal Awards

No findings or questioned cost material to the Federal awards programs were noted during the audit of the financial statements for the year ended August 31, 2002.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended August 31, 2002.

MANAGEMENT'S CORRECTIVE ACTION

Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.

For the year ended August 31, 2003

Section I - Internal Control and Compliance Material to the Financial Statements

Internal Control

2003-1 Recommendation - The transfer of funds between the Organization's operating checking account and payroll checking account should be restricted to the authorization of only the executive director.

Management's Corrective Action - Authorization for transfers from the operating account to the payroll account will be restricted to require the approval of the Executive Director.

Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended August 31, 2003.

Section II - Internal Control and Compliance Material To Federal Awards

No findings or questioned costs were noted during the audit of the financial statements for the year ended August 31, 2003.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended August 31, 2003.