

**NEW ORLEANS COMMUNITY ENHANCEMENT, INC.
NEW ORLEANS, LOUISIANA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 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 5.5.04

DESIREE' W. HONORE'
Certified Public Accountant
A Professional Corporation

NEW ORLEANS COMMUNITY ENHANCEMENT, INC.
NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2003

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A Professional Corporation

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Board of Directors
New Orleans Community Enhancement, Inc.
New Orleans, Louisiana

I was engaged to audit the accompanying statements of financial position of New Orleans Community Enhancement, Inc. (a not for profit organization) as of June 30, 2003, and the related statements of activities, functional expenses, and cash flows for the period then ended. These financial statements are the responsibility of New Orleans Community Enhancement, Inc.'s Management.

No accounting controls are exercised over cash disbursements and expenditure authorization, nor were cash accounts reconciled during the year. Consequently, I was unable to determine if all transactions had been recorded. Accordingly, it was not practicable for me to extend my audit of such expenses beyond the amounts recorded.

As shown in the financial statements, the Organization has significant liabilities that are outstanding as of June 30, 2003. This factor, as disclosed in Note 5, raises substantial doubt about the Organization's ability to continue as a going concern. Management's plans in this regard are also described in Note 3. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Because I was unable to satisfy myself concerning the amount of cash disbursements and the nature of the significance of the liabilities, as explained in the preceding paragraphs, the scope of my work was not sufficient to enable me to express and I do not express an opinion on the financial statements referred to in the first paragraph.

In accordance with Government Auditing Standards, I have also issued my report dated April 2, 2004, on my consideration of New Orleans Community Enhancement, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.


Baton Rouge, Louisiana
April 2, 2004

NEW ORLEANS COMMUNITY ENHANCEMENT, INC.
NEW ORLEANS, LOUISIANA

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2003

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$1,205	
Accounts Receivable	<u>30,063</u>	

Total current assets		<u>31,268</u>
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PROPERTY AND EQUIPMENT

Furniture and Equipment	27,514	
Leasehold Improvements	19,877	
Less: Accumulated Depreciation	<u>(23,887)</u>	

Total property and equipment		<u>23,503</u>
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Total assets		<u>\$54,770</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$28,859	
Grant Payable	30,063	
Loan payable (Note 2)	14,341	
Payroll taxes payable	<u>7,854</u>	

Total current liabilities		<u>81,117</u>
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CONTINGENCIES (Note 5)	-	-
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NET ASSETS - RESTRICTED	<u>(26,347)</u>	<u>(26,347)</u>
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Total liabilities and net assets		<u>\$54,770</u>
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The accompanying notes are an integral part of these financial statements

NEW ORLEANS COMMUNITY ENHANCEMENT, INC.
NEW ORLEANS, LOUISIANA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

SUPPORT AND REVENUE

Grant from Governor's Office of Urban Affairs and Development	\$188,000
Grant from Department of Education (TANF)	5,942
Other:	
Donations	875
Interest Income	55
 Total support and revenue	 <u>\$194,872</u>

EXPENSES

Program services	
Urban Affairs	\$180,925
Louisiana Stadium Exposition District	7,574
Department of Education	10,946
Other (Note 4)	30,063
Administration	46,825
 Total Expenses	 <u>\$276,333</u>

CHANGE IN NET ASSETS (81,461)

Net assets - beginning of period	37,783
 Prior Period Adjustment (Note 3)	 17,331
Net assets-beginning of period restated	55,114
 Net assets - end of period	 <u>(\$26,347)</u>

The accompanying notes are an integral part of these financial statements

NEW ORLEANS COMMUNITY ENHANCEMENT, INC.
NEW ORLEANS, LOUISIANA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2003

	<u>Total</u>	<u>Urban Affairs</u>	<u>TANF</u>	<u>LSED</u>	<u>Other</u>
ADMINISTRATIVE					
Salaries and wages	5,769	5,769	-	-	-
Payroll taxes	441	441	-	-	-
Advertising	5,773	5,773	-	-	-
Insurance	2,205	2,205	-	-	-
Interest	608	-	-	-	608
Postage	1,092	1,092	-	-	-
Professional Services	6,230	6,230	-	-	-
Rent	14,400	14,400	-	-	-
Repairs	2,841	2,841	-	-	-
Supplies	3,314	3,314	-	-	-
Telephone	4,402	4,402	-	-	-
Utilities	4,797	4,797	-	-	-
PROGRAM EXPENSES					
Salaries and wages	53,160	53,160	-	-	-
Employee Benefits	367	367	-	-	-
Payroll taxes	4,066	4,066	-	-	-
Therapeutic and training supplies	25,367	25,367	-	-	-
Tutorial (Other) Assistance/Services	103,526	85,006	10,946	7,574	-
Other Expenses (Note 4)	30,063	-	-	-	30,063
Total expenses before depreciation	<u>268,420</u>	<u>219,229</u>	<u>10,946</u>	<u>7,574</u>	<u>30,671</u>
Depreciation	7,913	-	-	-	7,913
Total Expenses	<u>\$276,333</u>	<u>\$219,229</u>	<u>\$10,946</u>	<u>\$7,574</u>	<u>\$38,584</u>

The accompanying notes are an integral part of these financial statements

NEW ORLEANS COMMUNITY ENHANCEMENT, INC.
NEW ORLEANS, LOUISIANA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:	
Decrease in net assets	(\$81,461)
Depreciation	7,913
Adjustments to reconcile increase in net assets to net cash used by operating activities	
(Increase) decrease in operating assets	
Accounts Receivable	(20,894)
Prepaid Expenses	2,400
Decrease in operating liabilities	
Accounts Payable	(4,885)
Payroll liabilities	(299)
Net cash provided by operating activities	<u>(96,643)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Equipment	<u>(4,265)</u>
Net cash provided by investing activities	<u>(4,265)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Increase in Grant Payable	30,063
Increase in Note Payable	14,341
Net cash provided by investing activities	<u>14,341</u>
DECREASE IN CASH	(57,087)
CASH AND CASH EQUIVALENTS - June 30, 2002	58,292
CASH AND CASH EQUIVALENTS - June 30, 2003	<u>\$1,205</u>

The accompanying notes are an integral part of these financial statements

NEW ORLEANS COMMUNITY ENHANCEMENT, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

1. Summary of Significant Accounting Policies

a. Operations

New Orleans Community Enhancement, Inc. (NOCE) provides after school tutorial instruction with homework assistance, math and reading enrichment, and development of computer skills to children in grades three through twelve. The organization conducts workshops on drug awareness. NOCE is dedicated to providing educational, tutoring, cultural enhancement, counseling, and related services to "at risk" youths. Additionally, NOCE offers computer literacy classes for adults and senior citizens. Funds for NOCE's activities are provided by the Governor's Office on Urban Affairs of the State of Louisiana and Louisiana Department of Education (TANF).

b. Basis of Preparation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The organization had no temporarily restricted net assets and permanently restricted net assets of \$ 26,347 as of June 30, 2003.

c. Revenue Recognition

New Orleans Community Enhancement, Inc. receives substantially all of its grant and contract revenue from governmental agencies. Revenue is recognized when services are provided. Expenses are recognized as incurred.

Within the terms of the grants and contracts, any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both as a result of non compliance by New Orleans Community Enhancement, Inc.

NEW ORLEANS COMMUNITY ENHANCEMENT, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

d. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and or nature of any donor restrictions. NOCE has not received any contributions with donor imposed restrictions that would result in temporarily or permanently restricted net assets.

e. Property and Equipment

Property and equipment are recorded at cost. Expenditures for maintenance, repairs, and minor renewals are charged against earnings as incurred. Major expenditures for renewals and betterments are capitalized. When items are retired or otherwise disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any resulting gain or loss is credited to or charged against income. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives (25 years for building and improvements, 3-7 years for furniture and equipment, and 5 years for vehicles), using straight-line method.

f. Income Taxes

The Organization is a nonprofit organization that is exempt from federal income taxation under Section 501 (c) (3) of the Internal Revenue Code.

g. Cash and Cash Equivalents

Cash and cash equivalents consist of items having maturities of three months or less from the date of acquisition.

h. Concentrations of Credit Risk

The Organization maintains its cash balances in financial institutions located in New Orleans, Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$ 100,000.

NEW ORLEANS COMMUNITY ENHANCEMENT, INC.
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2003

2. Note Payable

The Organization has a non-revolving line of credit with a local bank in the amount of \$15,000. The credit line, which accrues interest at 8.8% annum currently matures on July 15, 2003 and is renewable. At June 30, 2003, the outstanding balance was \$ 14,341.

3. Payroll Taxes

Resolution of previous years' liabilities with taxing authorities resulted in an adjustment to net assets of \$17,331.

4. Other Expenses

These costs include items attributable to expenses directly incurred by the Executive Director that appeared to be of a personal nature. These costs include credit card charges, unauthorized salary payments, and other undocumented costs of \$ 30,063. A receivable of \$ 30,063 due from the previous Executive Director has been accrued and a payable to Grant Payable has been accrued.

5. Contingencies

The Organization has liabilities of \$ 81,117 as of June 30, 2003. These include accounts payable of \$28,859, payroll taxes payable of \$ 7,854, grant payable of \$ 30,063, and a note payable to local bank in the amount of \$ 14,341.

The Organization has only one funding source. Those funds are contingent upon compliance with grant agreements and other conditions. The Organization's ability to continue as a going concern is dependent upon increasing revenue for services rendered in order to satisfy the liabilities incurred.

6. Subsequent Events

Subsequent to the audit date of June 30, 2003, additional information was discovered that included additional credit card and other charges to the Organization. This information did not affect the financial statements as of June 30, 2003. The information discovered may not be all inclusive as the review of subsequent events was done for the primary purpose of auditing the financial statements as of June 30, 2003.

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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

To the Board of Directors
New Orleans Community Enhancement, Inc.

I was engaged to audit the financial statements of New Orleans Community Enhancement, Inc. for the year ended June 30, 2003 and have issued my report thereon dated April 2, 2004.

Compliance

As part of obtaining reasonable assurance about whether New Orleans Community Enhancement, 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 the 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 instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 03-1 and 03-7.

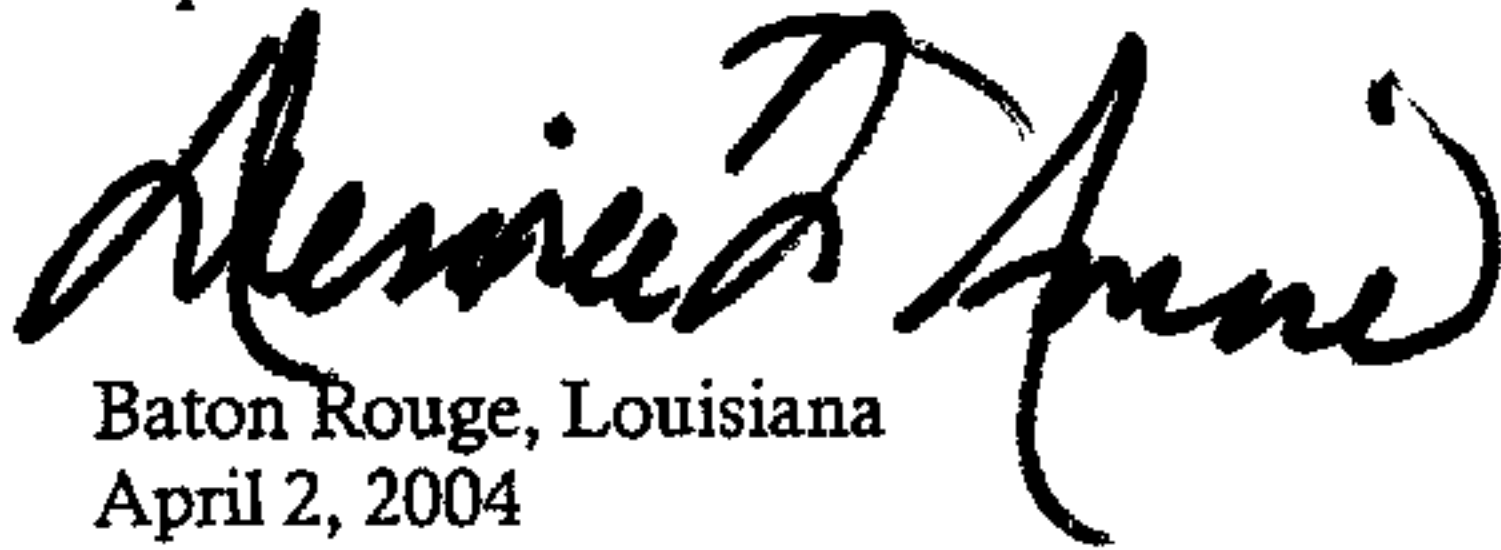
Internal Control Over Financial Reporting

In planning and performing my audit, I considered New Orleans Community Enhancement, 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 the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. 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 New Orleans Community Enhancement's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs.

A material weakness is a reportable condition in which the design or operation of one or more the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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, and accordingly would not disclose all reportable conditions that are also considered to be material weaknesses.

However, of the reportable conditions, described above, I consider items 03-2, 03-3, 03-4, and 03-5 to be material weaknesses. I have furthered detailed these items in a letter to management, dated April 2, 2004.

This report is intended for the information of the Board of Directors, Management, Office of the Legislative Auditor, Governor's Office on Urban Affairs, Louisiana Department of Education, and other oversight agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Baton Rouge, Louisiana
April 2, 2004

NEW ORLEANS COMMUNITY ENHANCEMENT, INC.
NEW ORLEANS, LOUISIANA

SUMMARY OF FINDINGS, CONCLUSIONS, CAUSES
AND RECOMMENDATIONS AND MANAGEMENT'S RESPONSE
YEAR ENDED JUNE 30, 2003

<u>Detail No.</u>	<u>Description Of Exception</u>	<u>Amount</u>
03-1	Payroll tax liabilities have not been reported in a timely fashion or remitted to the various taxing authorities	<u>\$ 7,854</u>
	Management has resolved outstanding liabilities for previous fiscal years with the Internal Revenue Service. However, payroll tax liabilities for the current year were still outstanding. Several quarters will need to be amended.	
03-2	Cash Accounts were not reconciled during the year	
	Management has hired a CPA to reconcile all accounts.	
03-3	The Executive Director opened a credit card account in the name of the organization and made purchases of a personal nature. She also paid this account with agency funds. She also wrote checks to herself for undocumented expenses.	<u>\$21,865</u>
	Management has closed this account and is reviewing all charges. The Executive Director has resigned. Management is seeking reimbursement of all unauthorized expenses.	
03-4	The former Executive Director wrote payroll checks to herself in excess of her approved salary.	<u>\$ 8,198</u>
	Management is seeking reimbursement from the former Executive Director. Additional controls have also been put in place to prevent this in the future.	
03-5	There were no minutes of Board of Directors meeting during the audit period. The Board did not regularly meet for oversight of the organization.	
	The Board of Directors has regularly scheduled meetings and minutes are recorded.	

NEW ORLEANS COMMUNITY ENHANCEMENT, INC.
NEW ORLEANS, LOUISIANA

SUMMARY OF FINDINGS, CONCLUSIONS, CAUSES
AND RECOMMENDATIONS AND MANAGEMENT'S RESPONSE
YEAR ENDED JUNE 30, 2003

03-06 Late Audit Report-Report is being submitted after the statutory and contract required date of December 31, 2003 in accordance with Louisiana Revised Statute 24:513.

The Organization did not have all financial information available in a timely fashion for auditor's review . Management acknowledged that this was due to the change of personnel.

NOTE: The above findings and conclusions, as well as the audit reports and audited financial statements, were discussed with Mrs. Tiffanie Laurent, Executive Director, and Ms. Christina Garcia, Board President, who concurred with my findings, conclusions, and recommendations.

NEW ORLEANS COMMUNITY ENHANCEMENT, INC.
NEW ORLEANS, LOUISIANA

SUMMARY OF PRIOR YEAR FINDINGS
PERIOD ENDED JUNE 30, 2003

Finding No. 02-01

Payroll tax liabilities have not been timely reported or remitted to the various taxing authorities.

Status: A large portion of the liability (\$ 17,331) has been resolved with the appropriate taxing authority. However, liabilities incurred during the current audit period have not been satisfied.

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A Professional Corporation

April 14, 2004

To the Board of Directors
New Orleans Community Enhancement, Inc.
New Orleans, Louisiana

In planning and performing my audit of the financial statements of New Orleans Community Enhancement, Inc. for the year ended June 30, 2003, I considered the Organization's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect my report date April 2, 2004, on the financial statements of New Orleans Community Enhancement, Inc.

I will review the status of these comments during my next audit engagement. I have already discussed my of these comments and suggestions with management, and I will be pleased to discuss these comments in further detail at your convenience, to perform any additional study on these matters, or to assist you in implementing the recommendations. My comments are summarized below:

Bank Cash Accounts

There is not a proper segregation of duties of between cash receipts, cash disbursements, and reconciliation of bank accounts. These functions should not be performed by the same employee.

During the year, the employee that handled the accounting functions of the organization resigned. This person was not replaced.

The former Executive Director assumed full control of all accounting functions. She wrote several payroll checks to herself and paid expenses that were not related to the organization's purpose.

I would recommend that the organization institute dual signature authority on all checks and that the Board President or Treasurer be one of the required signatures. It is also

recommended that a dollar limit be set on all expenses that may be approved by the Executive Director without board consent.

Due to the size of the organization, it is also recommended that the Board Treasurer review the monthly cash reconciliations.

Payroll Tax Returns

The Organization failed to file forms 941 in a timely fashion. Payroll taxes were also not remitted in a timely fashion. The Organization should ensure that all tax returns and taxes are paid by the required due date.

Credit Cards

The Organization has no policy regarding credit card use. During the audit period, the former Executive Director obtained a credit card in the name of the organization. This employee charged expenses that were not related to the organization's purpose. She also authorized electronic payments on this account through the Organization's bank accounts.

The Organization should develop a policy on credit card use or discontinue all use of credit cards.

Board Meetings

During the course of this audit, the former Executive Director indicated there were no board minutes. The Organization's governing body should meet consistently to govern, manage, and review the operations of the Organization. The Organization should maintain minutes for these meetings.

Expense Documentation

Documentation for all grant expenses were not properly maintained. Several expenses appeared to be of a personal nature, not related to the operations of the organization.

It is recommended that the Organization maintain all supporting documentation as required by its grantors.

Financial Reporting

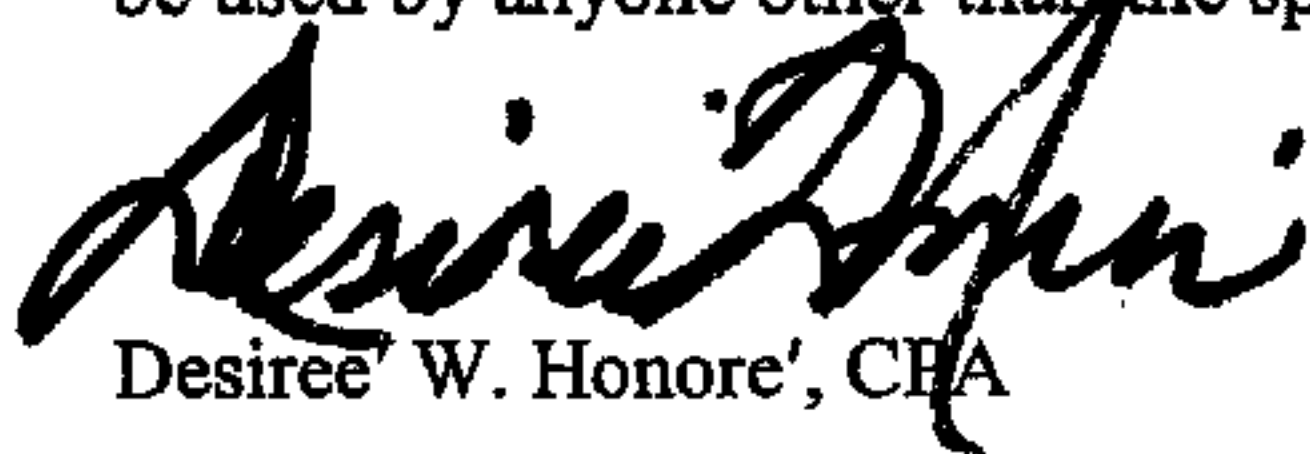
Several transactions were not properly recorded. Manual checks were on occasion entered into the financial system twice. Checks were also entered with the incorrect payee, number, and amount.

The Organization also used the same check numbers twice. It is recommended that pre-printed check stock be used in order to assure that the duplication of check numbers does not occur.

The Organization's Board Treasurer should also review financial statements on a regular basis.

I wish to thank Tiffanie Laurent and her staff for her support and assistance during the audit. Although Ms. Laurent became Executive Director during the course of this audit, she was quite helpful and instrumental in the successful completion of this engagement.

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



Desiree W. Honore, CPA

Baton Rouge, Louisiana