

LOUISIANA FURNISHINGS INDUSTRY ASSOCIATION, INC.

subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal award programs in the following categories:

Administrative Controls:

General Requirements:

- Political Activity
- Federal Financial Reports
- Allowable Costs/Cost Principles
- Drug-Free Workplace Act
- Administrative Requirements

Specific Requirements:

- Matching, Level of Effort, and earmarking, if any
- Claims for Advances and Reimbursements
- Reporting
- Cost Allocation, if any
- Special Requirements, if any

For all of the internal control structure categories listed in the preceding paragraph, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended December 31, 1995, Louisiana Furnishings Industry Association, Inc. expended 98 percent of its total federal awards under major federal award programs.

We performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the Organization's major federal award programs, which are identified in the accompanying Schedule of Federal Awards. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal award program 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 structure policies and procedures used in administering federal awards would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

We noted other matters involving the internal control structure and its operation that we have reported to the management of Louisiana Furnishings Industry Association, Inc. in a separate letter dated August 7, 1996.

LOUISIANA FURNISHINGS INDUSTRY ASSOCIATION, INC.  
PONCHATOULA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 1995

Internal Revenue Code and similar state provisions. The LFIA is not classified as a private foundation.

**G. DONATED MATERIALS AND SERVICES**

Donated materials, services or equipment are reflected as contributions in the accompanying statements at their estimated fair market values at date of receipt.

**2. BUILDING AND EQUIPMENT**

Building and equipment are stated at cost or management's estimate of cost as follows:

Building	\$146,910
Renovations	135,771
Equipment	<u>16,755</u>
	299,436
Less accumulated depreciation	<u>6,515</u>
	<u>\$292,921</u>

**3. DONATED MATERIALS AND SERVICES**

The LFIA received donated services from a variety of unpaid volunteers valued at \$31,065 for renovations to the building. Also received was donated equipment valued at \$4,500. The value of donated services and equipment has been recognized as income in the accompanying statement of activities, and has been capitalized in the balance sheet.

**4. LONG-TERM DEBT**

Long-term debt at December 31, 1995, consisted of the following:

Note payable to a bank, payable in monthly installments of \$265 including interest at 9.75%, final payment due November 20, 1998, collateralized by commercial land and building.	\$24,931
Less current portion	<u>(749)</u>
Long-term debt	<u>\$24,182</u>

Maturities of long-term debt are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Amount</u>
1996	\$ 3,180
1997	3,180
1998	<u>25,459</u>
	31,819
Less interest	<u>(7,637)</u>
	<u>\$24,182</u>

# Durnin & James

•CERTIFIED PUBLIC ACCOUNTANTS•

John N. Durnin, CPA\*  
Dennis E. James, CPA\*

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August 7, 1996

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of  
Louisiana Furnishings Industry Association, Inc.  
Ponchatoula, Louisiana

We have audited the financial statements of Louisiana Furnishings Industry Association, Inc. (a nonprofit organization) as of and for the year ended December 31, 1995, and have issued our report thereon dated August 7, 1996.

We conducted our audit in accordance with generally accepted auditing standards and 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.

The management of Louisiana Furnishings Industry Association, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of Louisiana Furnishings Industry Association, Inc. for the year ended December 31, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the 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. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE  
USED IN ADMINISTERING FEDERAL AWARDS



LOUISIANA FURNISHINGS INDUSTRY ASSOCIATION, INC.

all audit tests required and complete the audit by June 30, 1996. As a result, this audit report was not filed timely and places the Association in noncompliance with state law.

**Recommendation:** In the future, the Association should complete the audit and submit the reports to the Legislative Auditor within six months from the close of the fiscal year.

**Management's Response:** In a letter dated August 30, 1996, the Association indicated that it intends to conduct any required audits within six months from the end of the fiscal year to be examined.

We considered this material instance of noncompliance in forming our opinion on whether the 1995 financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles, and this report does not affect our report dated August 7, 1996, on those financial statements.

The results of our tests indicate that, with respect to the items tested, Louisiana Furnishings Industry Association, Inc. complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Association had not complied, in all material respects, with those provisions.

This report is intended for the information of the board of directors, management, the Office of Rural Development, the Louisiana Legislative Auditor, and the Census Bureau. However, this report is a matter of public record, and its distribution is not limited.

Respectfully submitted,

*Durnin & James*  
DURNIN & JAMES, CPA'S

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August 7, 1996

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of  
Louisiana Furnishings Industry Association, Inc.  
Ponchatoula, Louisiana

We have audited the financial statements of Louisiana Furnishings Industry Association, Inc. (a nonprofit organization) as of and for the year ended December 31, 1995, and have issued our report thereon dated August 7, 1996.

We conducted our audit in accordance with generally accepted auditing standards and 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.

Compliance with laws, regulations, contracts, and grants applicable to Louisiana Furnishings Industry Association, Inc. is the responsibility of Louisiana Furnishings Industry Association, Inc.'s management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Louisiana Furnishings Industry Association, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in laws, regulations, contracts, or grants, that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the financial statements. The results of our tests of compliance disclosed the following material instances of noncompliance.

## COMPLIANCE WITH STATE LAW

### Audit Report Filing Requirement

The Association did not comply with certain audit report filing requirements imposed by state law. Audit report filing requirements applicable to the Association are specified in state law, Louisiana Revised Statutes (LSA-R.S.) 24:513 (A)(5)(a). The pertinent parts of the law and the manner in which the Association failed to comply is as follows:

State law requires that audits be completed and transmitted to the Louisiana Legislative Auditor within six months of the close of the entity's fiscal year.

**Finding:** The Association did not complete and transmit a copy of the audit report for the year ended December 31, 1995, to the Louisiana Legislative Auditor by June 30, 1996. Improvement is needed in this area to make sure the required audit is completed in a timely manner. This condition occurred because the Association was negotiating with the Farmers Home Administration to be exempted from the audit requirement based on the grant funds received. This did not allow the auditor sufficient time to perform

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

LOUISIANA FURNISHINGS INDUSTRY ASSOCIATION, INC.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of Louisiana Furnishings Industry Association, Inc. in a separate letter dated August 7, 1996.

This report is intended for the information of the board of directors, management, the Office of Rural Development, the Louisiana Legislative Auditor, and the Census Bureau. However, this report is a matter of public record, and its distribution is not limited.

Respectfully submitted,

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August 7, 1996

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL AWARDS

To the Board of Directors of  
Louisiana Furnishings Industry Association, Inc.  
Ponchatoula, Louisiana

We have audited the financial statements of Louisiana Furnishings Industry Association, Inc. (a nonprofit organization) as of and for the year ended December 31, 1995, and have issued our report thereon dated August 7, 1996. We have also audited the compliance of Louisiana Furnishings Industry Association, Inc. with requirements applicable to major federal award programs and have issued our report thereon dated August 7, 1996.

We conducted our audits in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether Louisiana Furnishings Industry Association, Inc. complied with laws and regulations, noncompliance with which would be material to a major federal award program.

In planning and performing our audits for the year ended December 31, 1995, we considered the internal control structure of Louisiana Furnishings Industry Association, Inc. in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements of Louisiana Furnishings Industry Association, Inc. and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal award programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated August 7, 1996.

The management of Louisiana Furnishings Industry Association, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal award programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

LOUISIANA FURNISHINGS INDUSTRY ASSOCIATION, INC.  
PONCHATOULA, LOUISIANA

SCHEDULE 1

SCHEDULE OF FEDERAL AWARDS

For the Year Ended December 31, 1995

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Dept. of Agriculture</u> Office of Rural Development Rural Business Enterprise Grant Program Contract # 22-53-721170947	10.424	\$210,000
<u>U.S. Dept. of Veterans Affairs</u> Veterans Benefits Administration Vocational Training for Certain Veterans Receiving VA Pension Service Members Occupational Conversion Training Act Employer # 21-00162-18	64.123	\$ 4,563

SCHEDULE OF FEDERAL AWARDS

# Durnin & James

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August 7, 1996

## INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL AWARDS

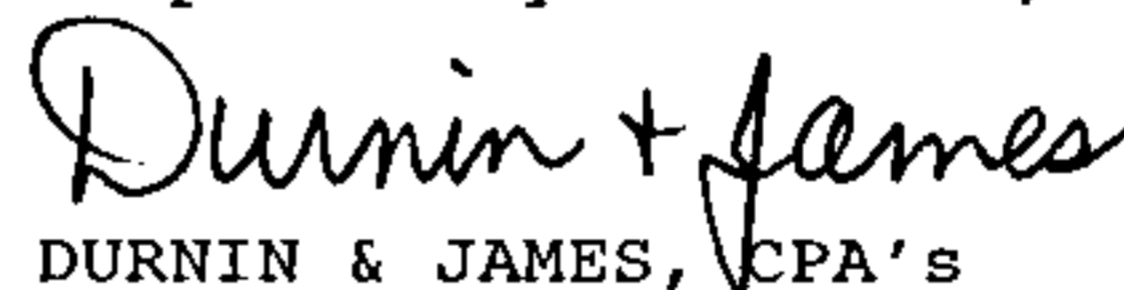
To the Board of Directors of  
Louisiana Furnishings Industry Association, Inc.  
Ponchatoula, Louisiana

We have audited the financial statements of Louisiana Furnishings Industry Association, Inc. (a nonprofit organization) as of and for the year ended December 31, 1995, and have issued our report thereon dated August 7, 1996. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Louisiana Furnishings Industry Association, Inc. taken as a whole. The accompanying Schedule of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

  
DURNIN & JAMES, CPA'S



LOUISIANA FURNISHINGS INDUSTRY ASSOCIATION, INC.  
PONCHATOULA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

December 31, 1995

**5. CONTINGENCIES**

The LFIA has participated in a Federally assisted grant program with the Office of Rural Development. This program is subject to financial and compliance audits by the grantor or their representatives, the purpose of which is to insure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

**6. INTEREST CAPITALIZATION**

Interest costs have been capitalized in the amount of \$710 relative to interest during construction of building renovations.

**7. UNRESTRICTED FUND DEFICIT**

At December 31, 1995, the unrestricted fund had a deficit fund balance in the amount of \$27,123. Management of the LFIA intends to overcome the deficit by means of controlling variable expenditures and seeking additional support and revenues.

LOUISIANA FURNISHINGS INDUSTRY ASSOCIATION, INC.  
PONCHATOULA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 1995

**INTRODUCTION**

The Louisiana Furnishings Industry Association, Inc. (LFIA) is a Louisiana nonprofit corporation chartered in 1992. Its purpose is to promote the manufacture of furniture and related wood products in Louisiana and the use of Louisiana woods and wood products for said manufacturing. The LFIA's support comes from members and grants from the government and others.

The LFIA is exempt from federal income tax as an organization described in Section 501(c)(6) of the Internal Revenue Code.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. FUND ACCOUNTING**

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the LFIA, the accounts are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, funds restricted by outside sources are so indicated and are distinguished from unrestricted funds designated for specific purposes by action of the Board of Directors. Externally restricted funds may only be utilized in accordance with the purposes established by the sources of such funds and are in contrast with unrestricted funds over which the Board retains full control to use in achieving any of its purposes.

**B. SUPPORT AND REVENUE**

All support and revenue are considered to be available for unrestricted use unless specifically restricted by the payor.

**C. DEFERRED REVENUES**

Deferred revenues in the unrestricted fund result from current year collections for use in the 1996 trade show.

**D. BUILDING AND EQUIPMENT FUND**

Building, renovations and equipment are recorded at cost or at estimated value at the date of gift, if donated. Depreciation is computed on a straight line basis over estimated useful lives of 5 to 40 years.

**E. ACCOUNTS RECEIVABLE**

The LFIA maintains an allowance for estimated uncollectible accounts. The allowance at December 31, 1995, is sufficient to provide for any uncollectible accounts.

**F. INCOME TAXES**

Income taxes are not provided for in the financial statements since the LFIA is exempt from federal and state income taxes under section 501(c)(6) of the

LOUISIANA FURNISHINGS INDUSTRY ASSOCIATION, INC.  
PONCHATOULA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 1995

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B. SUPPORT AND REVENUE	8
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D. BUILDING AND EQUIPMENT FUND	8
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2. BUILDING AND EQUIPMENT	9
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LOUISIANA FURNISHINGS INDUSTRY ASSOCIATION, INC.

This report is intended for the information of the board of directors, management, the Office of Rural Development, the Louisiana Legislative Auditor, and the Census Bureau. However, this report is a matter of public record, and its distribution is not limited.

Respectfully submitted,

*Durnin & James*  
DURNIN & JAMES, CPA'S

Louisiana Furnishings Industry Association, Inc.  
August 22, 1996  
Page Three

Consultations with Other Independent Accountants

To the best of our knowledge, management has not consulted with or obtained opinions from other independent accountants during the past year that are subject to the requirements of Statement on Auditing Standards No. 50, "Reports on the Application of Accounting Principles."

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This report is for the information of the Board of Directors, management, the Office of Rural Development, the Louisiana Legislative Auditor, and the Census Bureau. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Respectfully submitted,

*Durnin & James*  
DURNIN & JAMES, CPA'S

DEJ/bdm



INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL AWARDS

#### Maintenance of Company Files

Certain documents which we requested relative to our audit could not be located. We obtained the necessary documents through other sources. In order for management to perform at its best, company files should be current and complete.

#### Segregation of Duties

Because of the small size of the company, it is not feasible to have complete segregation of duties; however, it may be possible and desirable to have some segregation of duties. We make several recommendations as follows:

- 1) Company personnel who deposit funds into the bank be separate from those who reconcile the bank account and who maintain the financial records.
- 2) Company personnel who have authority to sign checks be separate from those who reconcile the bank account and who maintain the financial records.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Jack Siekkinen, Executive Director, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. We wish to express our thanks and appreciation to your staff for the help and assistance they provided during the audit.

Respectfully submitted,

*Durnin + James*  
DURNIN & JAMES, CPA'S

CDM/bdm

LOUISIANA FURNISHINGS INDUSTRY ASSOCIATION, INC.  
PONCHATOULA, LOUISIANA

EXHIBIT C

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 1995

	<u>1995</u>
<u>SUPPORTING SERVICES</u>	
<u>GENERAL AND ADMINISTRATIVE</u>	
Salaries	\$ 17,428
Payroll taxes and compensation insurance	<u>2,253</u>
Total Salaries and Related Expenses	\$ 19,681
Dues and subscriptions	\$ 545
Repairs and maintenance	57
Office supplies	347
Postage	351
Printing	273
Rent and lease	890
Utilities	3,051
Legal and professional	475
Interest	196
Contract labor	1,515
Insurance	1,206
Provision for bad debts	2,500
Promotions	3,152
Telephone	1,750
Property taxes	1,581
Bank charges	158
Other	<u>757</u>
Total Expenses Before Depreciation	\$ 38,485
Depreciation	<u>2,680</u>
TOTAL EXPENSES	<u>\$ 41,165</u>

The accompanying notes are an integral part of this statement.

LOUISIANA FURNISHINGS INDUSTRY ASSOCIATION, INC.  
PONCHATOULA, LOUISIANA

EXHIBIT B

STATEMENT OF ACTIVITY AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 1995

<u>SUPPORT AND REVENUES</u>	<u>UNRESTRICTED FUND</u>	<u>BUILDING &amp; EQUIPMENT FUND</u>	<u>TOTAL</u>
Support:			
Contributions	\$ 9,580	\$ -	\$ 9,580
Grants	215,000	-	215,000
Special events (net of expenses of \$9,938)	4,422	-	4,422
Donated materials & labor	<u>35,565</u>	<u>-</u>	<u>35,565</u>
Total Support	<u>264,567</u>	<u>-</u>	<u>264,567</u>
Revenues:			
Members dues, rent and sundry	14,973	-	14,973
Miscellaneous	<u>2,646</u>	<u>-</u>	<u>2,646</u>
Total Revenues	<u>17,619</u>	<u>-</u>	<u>17,619</u>
TOTAL SUPPORT AND REVENUES	\$ <u>282,186</u>	\$ <u>-</u>	\$ <u>282,186</u>
<u>EXPENSES</u>			
General and administrative	\$ <u>38,485</u>	\$ <u>2,680</u>	\$ <u>41,165</u>
TOTAL EXPENSES	<u>38,485</u>	<u>2,680</u>	<u>41,165</u>
Excess (deficiency) of public support and revenue over (under) expenses	243,701	( 2,680)	241,021
<u>OTHER CHANGES IN FUND BALANCES</u>			
Property and equipment acquisitions and transfers from unrestricted funds	(290,213)	290,213	-
Fund Balance at Beginning of Year	<u>19,389</u>	<u>5,388</u>	<u>24,777</u>
Fund Balance at End of Year (deficit)	\$ <u>( 27,123)</u>	\$ <u>292,921</u>	\$ <u>265,798</u>

The accompanying notes are an integral part of this statement.

LOUISIANA FURNISHINGS INDUSTRY ASSOCIATION, INC.  
 PONCHATOULA, LOUISIANA

EXHIBIT A

BALANCE SHEET

December 31, 1995

<u>ASSETS</u>	<u>UNRESTRICTED FUND</u>	<u>BUILDING &amp; EQUIPMENT FUND</u>	<u>TOTAL</u>
Current assets:			
Cash	\$ 10,226	\$ -	\$ 10,226
Accounts receivable (net of allowance for bad debts of \$2,500)	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total Current Assets	<u>11,226</u>	<u>-</u>	<u>11,226</u>
Buildings and equipment at cost or fair market value if donated, less accumulated depreciation of \$6,515	\$ <u>-</u>	\$292,921	\$292,921
TOTAL ASSETS	\$ <u>11,226</u>	\$292,921	\$304,147
<u>LIABILITIES AND FUND BALANCES</u>			
Current liabilities:			
Accounts payable	\$ 4,905	\$ -	\$ 4,905
Deferred revenue	8,513	-	8,513
Current portion of note payable	<u>749</u>	<u>-</u>	<u>749</u>
Total Current Liabilities	14,167	-	14,167
Note payable, less current portion	<u>24,182</u>	<u>-</u>	<u>24,182</u>
Total Liabilities	<u>38,349</u>	<u>-</u>	<u>38,349</u>
Fund balances:			
Unrestricted fund (deficit)	(27,123)	-	(27,123)
Invested in buildings and equipment	<u>-</u>	<u>292,921</u>	<u>292,921</u>
Total Fund Balances (deficit)	<u>(27,123)</u>	<u>292,921</u>	<u>265,798</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>11,226</u>	\$292,921	\$304,147

The accompanying notes are an integral part of this statement.



**FINANCIAL STATEMENTS**

# Durnin & James

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August 7, 1996

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Louisiana Furnishings Industry Association, Inc.  
Ponchatoula, Louisiana

We have audited the accompanying balance sheet of Louisiana Furnishings Industry Association, Inc. (a nonprofit organization) as of December 31, 1995, and the related statements of activities and changes in fund balances, 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; Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Furnishings Industry Association, Inc. as of December 31, 1995, and the results of its operations and the changes in 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 a report dated August 7, 1996, on our consideration of Louisiana Furnishings Industry Association, Inc.'s internal control structure and a report dated August 7, 1996, on its compliance with laws and regulations.

Respectfully submitted,

  
DURNIN & JAMES, CPA'S

LOUISIANA FURNISHINGS INDUSTRY ASSOCIATION, INC.  
 PONCHATOULA, LOUISIANA

YEAR ENDED DECEMBER 31, 1995

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# Durnin & James

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August 7, 1996

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR  
FEDERAL AWARD PROGRAMS

To the Board of Directors of  
Louisiana Furnishings Industry Association, Inc.  
Ponchatoula, Louisiana

We have audited the financial statements of Louisiana Furnishings Industry Association, Inc. (a nonprofit organization) as of and for the year ended December 31, 1995, and have issued our report thereon dated August 7, 1996.

We have also audited the compliance of Louisiana Furnishings Industry Association, Inc. with the requirements governing matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal award programs, which are identified in the accompanying Schedule of Federal Awards, for the year ended December 31, 1995. The management of Louisiana Furnishings Industry Association, Inc. is responsible for the Organization's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to in the second paragraph occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Findings and Questioned Costs. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion Louisiana Furnishings Industry Association, Inc. complied, in all material respects, with the specific requirements referred to in the second paragraph that are applicable to each of its major federal award programs for the year ended December 31, 1995.

This report is intended for the information of the board of directors, management, the Office of Rural Development, the Louisiana Legislative Auditor, and the Census Bureau. However, this report is a matter of public record, and its distribution is not limited.

Respectfully submitted,

  
DURNIN & JAMES, CPA'S



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August 22, 1996

Members of the Board of Directors of  
Louisiana Furnishings Industry Association, Inc.  
Ponchatoula, Louisiana

We have audited the financial statements of the Louisiana Furnishings Industry Association, Inc. for the year ended December 31, 1995, and have issued our report thereon dated August 7, 1996. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated April 20, 1994, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Louisiana Furnishings Industry Association, Inc. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Louisiana Furnishings Industry Association, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

## Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Louisiana Furnishings Industry Association, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during



LOUISIANA FURNISHINGS INDUSTRY ASSOCIATION, INC.  
PONCHATOULA, LOUISIANA

EXHIBIT D

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 1995

	<u>1995</u>
Cash Flows from Operating Activities:	
Excess (deficiency) of public support and revenue over (under) expense	\$ 241,021
Adjustments to reconcile excess (deficiency) of public support and revenue over (under) expense to net cash provided by operating activities:	
Depreciation	2,680
Bad debt expense	2,500
(Increase) in accounts receivable	( 3,500)
Decrease in prepaid expense	4,500
Increase in accounts payable	4,905
Increase in deferred revenue	<u>5,749</u>
Net cash provided by operating activities	<u>257,855</u>
Cash Flows from Investing Activities:	
Purchases of building and equipment	<u>(290,213)</u>
Net cash used in investing activities	<u>(290,213)</u>
Cash Flows from Financing Activities:	
Proceeds from bank loans	50,000
Payments on bank loans	<u>( 25,069)</u>
Net cash used in financing activities	<u>24,931</u>
Net decrease in cash	( 7,427)
Cash as of beginning of year	<u>17,653</u>
Cash as of end of year	<u>\$ 10,226</u>

Supplemental disclosure:

Interest paid during 1995 amounted to \$906.

The accompanying notes are an integral part of this statement.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL AWARD PROGRAMS

# Durnin & James

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August 7, 1996

To the Board of Directors of  
Louisiana Furnishings Industry Association, Inc.  
Ponchatoula, Louisiana

We have audited the financial statements of Louisiana Furnishings Industry Association, Inc. (a nonprofit organization) as of and for the year ended December 31, 1995, and have issued our report thereon dated August 7, 1996. In planning and performing our audit of the financial statements, we considered the Louisiana Furnishings Industry Association, Inc.'s internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal control and operating efficiency. We previously reported on the the LFIA's internal control structure in our report dated August 7, 1996. This letter does not affect our report dated August 7, 1996, on the financial statements of the LFIA. The following summarizes our comments and suggestions regarding those matters.

#### **Deposits of Loan Proceeds**

We noted during our audit that certain loan proceeds were not deposited into any of the company checking accounts, resulting in these proceeds and the disposition of these proceeds not being accounted for in the financial reports. In order to provide a better audit trail and improve financial reporting, we recommend that all loan proceeds be deposited into company checking accounts. Company obligations then would be paid out of the company checking account rather than having the bank issuing its own drafts.

#### **Minutes of Board Meetings**

Minutes of board meetings prior to May 1995 were not provided to us during our audit because they could not be located. Minutes of board meetings may have significant legal importance; therefore, they should be available when needed.

Also, we feel that the form and content of the minutes could be improved by providing for the following: date and time of meeting; identifying attendees; referring to the date of the immediate prior meeting; and clerk's signature.

Additionally, the minutes examined by us did not indicate that the board members had current company financial reports available. The basic financial reports, accompanied by budget/actual comparisons are useful tools in the decision making process, as well as making the board members aware of the current financial status of the company. We recommend that financial and budgetary reports become a part of each meeting.

#### **Budgets**

During our audit we noted that no formal budget was prepared and adopted by the company. A formal budget is essential to financial planning and periodic assessment of financial position and results of operations, and should be implemented immediately.

Louisiana Furnishings Industry Association, Inc.  
August 22, 1996  
Page Three

**Consultations with Other Independent Accountants**

To the best of our knowledge, management has not consulted with or obtained opinions from other independent accountants during the past year that are subject to the requirements of Statement on Auditing Standards No. 50, "Reports on the Application of Accounting Principles."

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing our audit.

This report is for the information of the Board of Directors, management, the Office of Rural Development, the Louisiana Legislative Auditor, and the Census Bureau. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Respectfully submitted,

*Durnin & James*  
DURNIN & JAMES, CPA'S

DEJ/bdm

1995. We noted no transactions entered into by the Louisiana Furnishings Industry Association, Inc. during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from management's current judgments.

Management's estimate of the allowance for doubtful accounts is based on an analysis of the collectibility of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

#### Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Louisiana Furnishings Industry Association, Inc. that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements.

We proposed several audit adjustments related to accounts receivable and accounts payable. The corrections were not considered material in relation to the financial statements of the Organization taken as a whole. Management has agreed to the proposed audit adjustments and will record the adjustments in the accounting records of the Louisiana Furnishings Industry Association, Inc. for the year ended December 31, 1995.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.



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August 22, 1996

Members of the Board of Directors of  
Louisiana Furnishings Industry Association, Inc.  
Ponchatoula, Louisiana

We have audited the financial statements of the Louisiana Furnishings Industry Association, Inc. for the year ended December 31, 1995, and have issued our report thereon dated August 7, 1996. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated April 20, 1994, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Louisiana Furnishings Industry Association, Inc. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Louisiana Furnishings Industry Association, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

## Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Louisiana Furnishings Industry Association, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during

**Maintenance of Company Files**

Certain documents which we requested relative to our audit could not be located. We obtained the necessary documents through other sources. In order for management to perform at its best, company files should be current and complete.

**Segregation of Duties**

Because of the small size of the company, it is not feasible to have complete segregation of duties; however, it may be possible and desirable to have some segregation of duties. We make several recommendations as follows:

- 1) Company personnel who deposit funds into the bank be separate from those who reconcile the bank account and who maintain the financial records.
- 2) Company personnel who have authority to sign checks be separate from those who reconcile the bank account and who maintain the financial records.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Jack Siekkinen, Executive Director, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. We wish to express our thanks and appreciation to your staff for the help and assistance they provided during the audit.

Respectfully submitted,

*Durnin + James*  
DURNIN & JAMES, CPA'S

CDM/bdm

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 1995

U.S. Department of Agriculture - CFDA 10.424  
(Questioned Cost - None)

FINDING:

The grant financial award stated that the LFIA will furnish insurance and fidelity bonds in type and amount as necessary to protect the FmHA's financial interest. Insurance was provided, however, fidelity bonds were not furnished.

GRANTEE COMMENT:

Management concurs with this comment, and intends to provide the appropriate fidelity bonds in the future.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL AWARD PROGRAMS

# Durnin & James

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August 7, 1996

INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE  
TO FEDERAL AWARD PROGRAMS

To the Board of Directors of  
Louisiana Furnishings Industry Association, Inc.  
Ponchatoula, Louisiana

We have audited the financial statements of Louisiana Furnishings Industry Association, Inc. (a nonprofit organization) as of for the year ended December 31, 1995, and have issued our report thereon dated August 7, 1996.

We have applied procedures to test the compliance of Louisiana Furnishings Industry Association, Inc. with the following requirements applicable to its federal award programs, which are identified in the accompanying Schedule of Federal Awards, for the year ended December 31, 1995: political activity, federal financial reports, allowable costs/cost principles, drug-free workplace act, and administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Audits of Institutions of Higher Learning and Other Nonprofit Institutions". Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Louisiana Furnishings Industry Association, Inc.'s compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Louisiana Furnishings Industry Association, Inc. had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying Schedule of Findings and Questioned Costs.

This report is intended for the information of the board of directors, management, the Office of Rural Development, the Louisiana Legislative Auditor, and the Census Bureau. However, this report is a matter of public record, and its distribution is not limited.

Respectfully submitted,

*Durnin & James*  
DURNIN & JAMES, CPA'S



1995. We noted no transactions entered into by the Louisiana Furnishings Industry Association, Inc. during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from management's current judgments.

Management's estimate of the allowance for doubtful accounts is based on an analysis of the collectibility of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

#### Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Louisiana Furnishings Industry Association, Inc. that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements.

We proposed several audit adjustments related to accounts receivable and accounts payable. The corrections were not considered material in relation to the financial statements of the Organization taken as a whole. Management has agreed to the proposed audit adjustments and will record the adjustments in the accounting records of the Louisiana Furnishings Industry Association, Inc. for the year ended December 31, 1995.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

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August 7, 1996

To the Board of Directors of  
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However, during our audit we became aware of several matters that are opportunities for strengthening internal control and operating efficiency. We previously reported on the the LFIA's internal control structure in our report dated August 7, 1996. This letter does not affect our report dated August 7, 1996, on the financial statements of the LFIA. The following summarizes our comments and suggestions regarding those matters.

## **Deposits of Loan Proceeds**

We noted during our audit that certain loan proceeds were not deposited into any of the company checking accounts, resulting in these proceeds and the disposition of these proceeds not being accounted for in the financial reports. In order to provide a better audit trail and improve financial reporting, we recommend that all loan proceeds be deposited into company checking accounts. Company obligations then would be paid out of the company checking account rather than having the bank issuing its own drafts.

## **Minutes of Board Meetings**

Minutes of board meetings prior to May 1995 were not provided to us during our audit because they could not be located. Minutes of board meetings may have significant legal importance; therefore, they should be available when needed.

Also, we feel that the form and content of the minutes could be improved by providing for the following: date and time of meeting; identifying attendees; referring to the date of the immediate prior meeting; and clerk's signature.

Additionally, the minutes examined by us did not indicate that the board members had current company financial reports available. The basic financial reports, accompanied by budget/actual comparisons are useful tools in the decision making process, as well as making the board members aware of the current financial status of the company. We recommend that financial and budgetary reports become a part of each meeting.

## **Budgets**

During our audit we noted that no formal budget was prepared and adopted by the company. A formal budget is essential to financial planning and periodic assessment of financial position and results of operations, and should be implemented immediately.