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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
GENERAL REQUIREMENTS APPLICABLE TO NONMAJOR PROGRAM TRANSACTIONS**

To the Board of Directors
Serenity 67

I have audited the financial statements of Serenity 67 (a nonprofit organization) as of and for the year ended June 30, 1996, and have issued my report thereon dated November 22, 1996.

I have applied procedures to test the compliance of Serenity 67 with the following requirements applicable to its federal award programs, which are identified in the accompanying Schedule of Federal Awards, for the year ended June 30, 1996:

- * Political activity
- * Civil rights
- * Cash management
- * Federal financial reports
- * Allowable costs/cost principles
- * Drug-free Workplace Act
- * Administrative requirements

My procedures were limited to the applicable procedures described in Office of Management and Budget's "Compliance Supplement for Audits of Institutions of Higher Learning and Other Non-Profit Institutions." My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Serenity 67's compliance with the requirements listed in the preceding paragraph. Accordingly, I do not express such an opinion.

With respect to the items tested, the results of my 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 my attention that caused me to believe that Serenity 67 had not complied, in all material respects, with those requirements.

Serenity 67
Statement of Financial Position
June 30, 1996

ASSETS

Current assets		
Cash in bank	\$	259
Grants receivable		7,783
Prepaid rent		1,900
Total current assets		9,942
Property, plant and equipment		
Office furniture and fixtures		5,030
Office machinery and equipment		20,972
Vehicle		12,330
Leasehold improvements		8,507
		46,839
Accumulated depreciation and amortization		(14,338)
Net property, plant and equipment		32,501
TOTAL ASSETS	\$	42,443
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$	6,776
Accrued payroll		10,086
Accrued and withheld payroll taxes		11,205
Total current liabilities		28,067
Net assets		
Unrestricted		14,376
TOTAL LIABILITIES AND NET ASSETS	\$	42,443

The accompanying notes are an integral part of these financial statements.

My audit was made for the purpose of forming an opinion on the basic financial statements of Serenity 67 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 my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "R. H. H. H.", written in dark ink.

Baton Rouge, Louisiana
November 22, 1996

Serenity 67

Financial Statements

June 30, 1996

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SERENITY 67

FINANCIAL STATEMENTS

JUNE 30, 1996

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date DEC 18 1996

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

A handwritten signature in cursive script, appearing to read "A. B. ...".

Baton Rouge, Louisiana
November 22, 1996

Serenity 67
Statement of Activities
For the year ended June 30, 1996

SUPPORT AND REVENUE

Support:

Contributions	\$	9,320
		9,320

Total support

Revenue:

Grant funds		310,429
Interest income		880
Miscellaneous income		1,654
		312,963

Total revenue

Total support and revenue		322,283
		322,283

EXPENSES

Program services

Elderly and Youth Services		259,814
Drug-free and Tutorial Services		19,999
Serenity 67 In-house Services		5,498
		285,311

285,311

Supporting services

Management and general		20,326
		20,326

305,637

Total expenses

Change in net assets		16,645
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Net assets, beginning of year		(2,269)
		(2,269)

Net assets, end of year	\$	14,376
		14,376

The accompanying notes are an integral part of these financial statements.

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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
Serenity 67

I have audited the financial statements of Serenity 67 (a nonprofit organization) as of and for the year ended June 30, 1996, and have issued my report thereon dated November 22, 1996.

I conducted my 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 I 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 Serenity 67 is the responsibility of Serenity 67's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Serenity 67's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests of compliance disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

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Baton Rouge, Louisiana
November 22, 1996

relevant policies and procedures and whether they have been placed in operation, and I assessed control risk.

During the year ended June 30, 1996, Serenity 67 had no major programs and expended 100% of its total federal awards under the following non-major programs:

Drug-free Schools and Communities Act of 1986

U.S. Department of Health and Human Services

I performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure polices and procedures that I 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 the aforementioned nonmajor programs. My procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, I do not express such an opinion.

My 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 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 program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operation that I consider to be material weaknesses as defined above.

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Baton Rouge, Louisiana
November 22, 1996

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, I have classified the significant internal control structure policies used in administering federal award programs in the following categories:

- * Cash
- * Support, revenue, and receivables
- * Donated materials, facilities, and services
- * Expenses for goods and services and accounts payable
- * Payroll and related liabilities
- * Property and equipment
- * Debt and other liabilities
- * Net assets
- * Governmental financial assistance programs:

General Requirements

- * Political activity
- * Civil rights
- * Cash management
- * Federal financial reports
- * Allowable costs/cost principles
- * Drug-free Workplace Act
- * Administrative requirements

Specific Requirements

- * Types of services allowed or unallowed
- * Eligibility
- * Federal financial reports and claims for advances or reimbursements
- * Cost allocation

For all of the internal control structure categories listed in the preceding paragraph, I obtained an understanding of the design of

Serenity 67
Notes to Financial Statements(continued)
June 30, 1996

from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred.

Income Taxes

Income taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. In addition, the organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 501(9) of the code.

Revenue Recognition

Contributions are recorded when received unless susceptible to accrual. Grant revenues are recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

Functional Expenses

Functional expenses have been allocated between program services and supporting services based on an analysis of personnel time and space utilized for the related activities.

Estimates

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

NOTE 3-Business and Credit Concentrations

Serenity 67's primary sources of revenue are from grants administered and/or funded by the State of Louisiana. During the year presented approximately 96% of the Organization's revenues were derived from these sources.

The Organization's clients, during the year presented, all reside within Louisiana House of Representatives District 67.

NOTE 4-Operating Leases

The Organization has two noncancelable operating leases for facilities it occupies. One lease expires in July, 1996, and is renewable for three years. The other lease was for a period of one year from May, 1994, through April, 1995, and is now on a month-to-month basis.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO
NONMAJOR FEDERAL AWARD PROGRAM TRANSACTIONS**

To the Board of Directors
Serenity 67

I have audited the financial statements of Serenity 67 (a nonprofit organization) as of and for the year ended June 30, 1996, and have issued my report thereon dated November 22, 1996.

In connection with my audit of the financial statements of Serenity 67 and with my consideration of the organization's internal control structure used to administer federal programs, as required by Office of Management and Budget Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Institutions, I selected certain transactions applicable to certain nonmajor federal programs for the year ended June 30, 1996. As required by OMB Circular A-133, I performed auditing procedures to test compliance with requirements governing types of services allowed or not allowed and eligibility, that are applicable to those transactions. My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Serenity 67's compliance with these requirements. Accordingly, I do not express such an opinion.

With respect to the items tested, the results of my procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested nothing came to my attention that caused me to believe that Serenity 67 had not complied, in all material respects, with those requirements.

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Baton Rouge, Louisiana
November 22, 1996

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

To the Board of Directors
Serenity 67

I have audited the financial statements of Serenity 67 (a nonprofit organization) as of and for the year ended June 30, 1996, and have issued my report thereon dated November 22, 1996.

I conducted my audit in accordance with generally accepted auditing standards and 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing my audit of the financial statements of Serenity 67 for the year ended June 30, 1996, I considered the internal control structure of Serenity 67 in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements of Serenity 67 and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses my consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal programs. I have addressed internal control structure policies and procedures relevant to my audit of the financial statements in a separate report dated November 22, 1996.

The management of Serenity 67 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, 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 subject to the risk that procedures may become inadequate

Serenity 67
Cash Flow Statements
For the year ended June 30, 1996

Cash flows from operating activities:

Net Income	\$ 16,645
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Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	7,056
(Gain)loss on disposal of property	13,270
(Increase)decrease in grants receivable	3,692
(Increase)decrease in prepaid expenses	(1,900)
Increase(decrease) in accounts payable	(11,600)
Increase(decrease) in accrued liabilities	(8,893)
Increase(decrease) in deferred grant income	(5,000)
<hr/>	
Total adjustments	(3,375)
<hr/>	
Net cash provided (used) by operating activities	13,270
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Cash flows from investing activities:

Cash payments for the purchase of property	(14,009)
<hr/>	
Net cash provided (used) by investing activities	(14,009)
<hr/>	

Net increase (decrease) in cash and equivalents	(739)
Cash and equivalents, beginning of year	998
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Cash and cash equivalents, end of year	\$ 259
<hr/>	

The accompanying notes are an integral part of these financial statements.

Serenity 67
Notes to Financial Statements
June 30, 1996

NOTE 1-Organization

Serenity 67 was organized in Louisiana in 1993 as a non-profit corporation for the purpose of providing human services to the residents of Louisiana House of Representatives District 67. Services provided include homemaker services for the elderly and infirm in the District, tutoring, self-esteem programs, personal hygiene programs, and drug abuse prevention and awareness counseling for the youth of the District.

NOTE 2-Summary of Significant Accounting Policies

Financial Statement Presentation

Serenity 67 follows standards of accounting and financial reporting for voluntary health and welfare organizations as described in American Institute of Certified Public Accountants' Industry Guide for Audits of Voluntary Health and Welfare Organizations. Accordingly, the financial statements are prepared on an accrual basis of accounting.

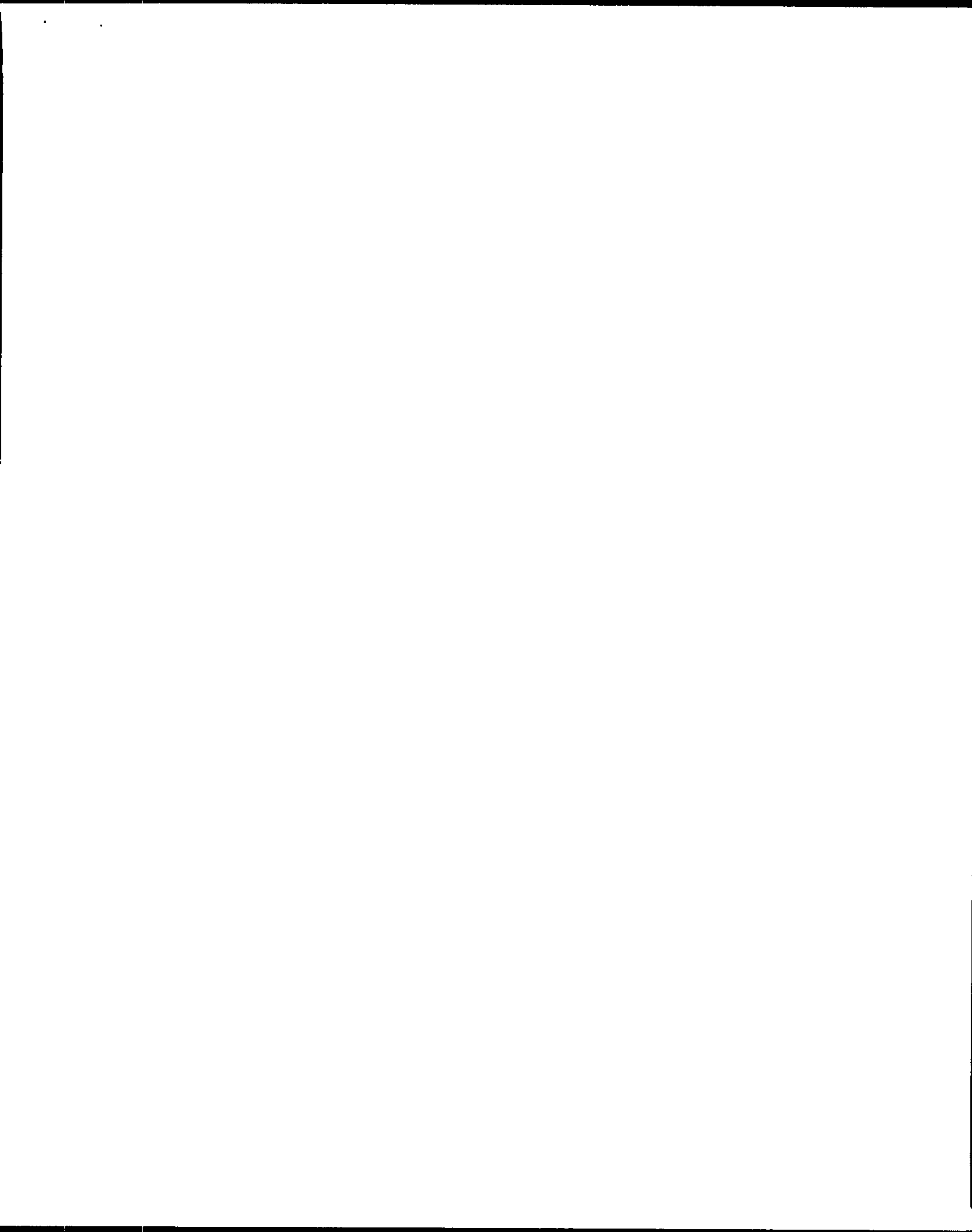
In 1996, Serenity 67 adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, Serenity 67 is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. As permitted by this new standard, Serenity 67 has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present classes of net assets. The reclassification had no cumulative effect on the change in net assets for the year ended June 30, 1996.

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Leasehold Improvements

Leasehold improvements are carried at cost. Amortization is computed using the straight-line method over the estimated useful lives of the respective improvements. When improvements are abandoned or otherwise disposed of, the cost and related accumulated amortization are removed



Serenity 67
Notes to Financial Statements (continued)
June 30, 1996

Rental expense for these leases consisted of \$19,500 for the year ended June 30, 1996.

SUPPLEMENTAL INFORMATION

Serenity 67
 Schedule of Federal Awards
 For the year ended June 30, 1996

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Receipts or Revenue Recognized	Federal Disbursements/ Expenditures
<u>U.S. Department of Education</u>					
Pass-through from Louisiana Department of Education	84.186A	N/A	\$ 20,000	\$ 19,999	\$ 19,999
<u>Substance Abuse Mental Health Service Administration</u>					
Pass-through from State of Louisiana, Department of Health and Hospitals/Office of Alcohol and Drug Abuse	93.959	94B1LASAPT01	52,822	52,431	52,431
Total			----- \$ 72,822 =====	----- \$ 72,430 =====	----- \$ 72,430 =====

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**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
Serenity 67

I have audited the financial statements of Serenity 67 (a nonprofit organization) as of and for the year ended June 30, 1996, and have issued my report thereon dated November 22, 1996.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Serenity 67 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 my audit of the financial statements of Serenity 67 for the year ended June 30, 1996, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might

be material weaknesses under the standards established by the American Institute of Certified Public Accountants. 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 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. I noted no matters involving the internal control structure and its operation that I consider to be material weaknesses as defined above.

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Baton Rouge, Louisiana
November 22, 1996

	Managment and General	Total
Accounting	\$	\$ 14,343
Advertising		1,453
Amortization	201	201
Auto expenses		7,092
Bank charges		186
Contract labor		71,098
Depreciation	6,855	6,855
Food and snacks		10,086
Garbage pick-up		516
Insurance		11,275
Legal		180
Loss on abandonment of leasehold	13,270	13,270
Mileage		1,307
Miscellaneous		8,152
Payroll taxes		10,661
Pest control		60
Postage		64
Rent		19,500
Repairs		1,270
Salaries		95,328
Security		630
Supplies		14,342
Telephone		3,779
Travel and conferences		2,851
Utilities		11,020
Yard services		118
	<hr/>	<hr/>
Total expenses	\$ 20,326	\$ 305,637
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.