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NEW ORLEANS SERVICE CENTER, INC.

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Release Date 9-4-96

FINANCIAL AND COMPLIANCE AUDIT

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 1995

Bruno

CERTIFIED PUBLIC ACCOUNTANTS

& Tervalon

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INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Directors
New Orleans Service Center, Inc.

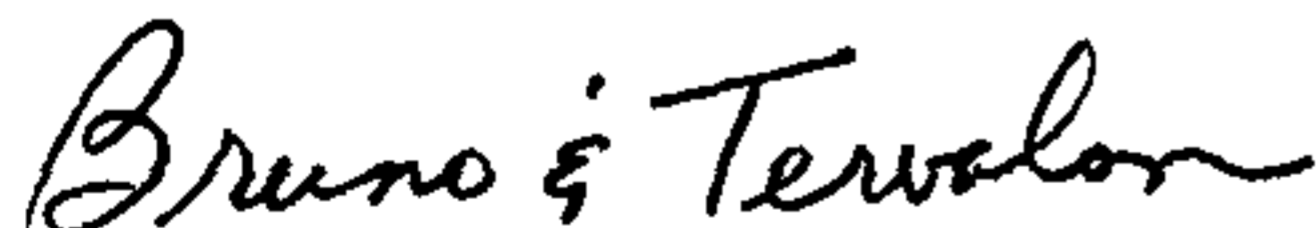
We have audited the financial statements of New Orleans Service Center, Inc. (the Center) for the year ended December 31, 1995, and have issued our report thereon dated April 10, 1996.

As part of our audit, we made a study and evaluation of the internal control structure, including applicable internal administrative controls, to the extent we considered necessary to evaluate the internal control structure as required by generally accepted auditing standards.

During our audit we became aware of a matter that is opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comment and suggestion regarding this matter.

This letter does not affect our report dated April 10, 1996 on the financial statements of the Center.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with appropriate personnel of the Center, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.



BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

April 10, 1996

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
CONTINUED

1. **INVOICE DOCUMENTATION**

We noted during our audit that the Center did not support certain expenses with invoice documentation. In particular, certain credit card charges and camera supplies were merely supported with statements of accounts.

We recommend that the Center immediately take steps to ensure that all expenses are documented with invoices or other appropriate documentation to provide support for expenses and to ensure that disbursements are paid only once.

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& Tervalon

MICHAEL B. BRUNO, CPA
ALCIDE J. TERVALON, JR., CPA
WALDO J. MORET, JR., CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New Orleans Service Center, Inc.

We have audited the balance sheet of **New Orleans Service Center, Inc.**, (a nonprofit organization) as of December 31, 1995 and the related statements of support, revenue and expenses 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 Audit 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 Organizations". 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 **New Orleans Service Center, Inc.** as of December 31, 1995 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
New Orleans Service Center, Inc.
Page 2

In accordance with Government Auditing Standards, we have also issued a report dated April 10, 1996 on our consideration of New Orleans Service Center, Inc.'s internal control structure and a report dated April 10, 1996 on its compliance with laws and regulations.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

April 10, 1996

Bruno

CERTIFIED PUBLIC ACCOUNTANTS

& Tervalon

NEW ORLEANS SERVICE CENTER, INC.

BALANCE SHEET
DECEMBER 31, 1995

	<u>OPERATING FUNDS</u>	<u>FIXED ASSET FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 20,633	\$ -0-	\$ 20,633
Grants receivable	<u>26,073</u>	<u>-0-</u>	<u>26,073</u>
Total current assets	46,706	-0-	46,706
Furniture and equipment, net of accumulated depreciation of \$64,202 (NOTE 3)	-0-	67,690	67,690
Deposits	<u>999</u>	<u>-0-</u>	<u>999</u>
Total assets	<u>\$ 47,705</u>	<u>\$67,690</u>	<u>\$115,395</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 13,941	\$ -0-	\$ 13,941
Obligations under capital leases-current portion (NOTE 5)	<u>9,177</u>	<u>-0-</u>	<u>9,177</u>
Total current liabilities	23,118	-0-	23,118
Obligations under capital leases-long-term portion (NOTE 5)	<u>3,019</u>	<u>-0-</u>	<u>3,019</u>
Total liabilities	<u>26,137</u>	<u>-0-</u>	<u>26,137</u>
Fund balances	<u>21,568</u>	<u>67,690</u>	<u>89,258</u>
Total liabilities and fund balances	<u>\$ 47,705</u>	<u>\$67,690</u>	<u>\$115,395</u>

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

NEW ORLEANS SERVICE CENTER, INC.
STATEMENT OF SUPPORT, REVENUE AND EXPENSES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 1995

	<u>OPERATING FUNDS</u>	<u>FIXED ASSET FUND</u>	<u>TOTAL</u>
<u>SUPPORT AND REVENUE</u>			
Support:			
Governmental grants	\$173,554	\$ -0-	\$173,554
Contributions	<u>16,000</u>	<u>-0-</u>	<u>16,000</u>
Total support	189,554	-0-	189,554
Revenue:			
Interest	352	-0-	352
Other	<u>4,533</u>	<u>-0-</u>	<u>4,533</u>
Total support and revenue	<u>194,439</u>	<u>-0-</u>	<u>194,439</u>
Expenses:			
Program services (NOTE 7)	219,014	-0-	219,014
Management and general	<u>16,263</u>	<u>25,533</u>	<u>41,796</u>
Total expenses	<u>235,277</u>	<u>25,533</u>	<u>260,810</u>
Deficiency of support and revenue over expenses	(40,838)	(25,533)	(66,371)
Fund balances at beginning of year	75,260	80,369	155,629
Transfers:			
Furniture and equipment acquisitions	<u>(12,854)</u>	<u>12,854</u>	<u>-0-</u>
Fund balances at end of year	<u>\$ 21,568</u>	<u>\$ 67,690</u>	<u>\$ 89,258</u>

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

NEW ORLEANS SERVICE CENTER, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1995

Cash flows from operating activities:	
Deficiency of support and revenue over expenses	\$(66,371)
Adjustments to reconcile deficiency of support and revenue over expenses to net cash used in operating activities:	
Depreciation	25,533
Changes in operating assets and liabilities:	
Decrease in grants and pledges receivable	15,432
Decrease in prepaid expenses	190
Decrease in accounts payable and accrued expenses	(1,950)
Decrease in deferred support	<u>(11,925)</u>
Net cash used in operating activities	<u>(39,091)</u>
Cash flows from investing activities:	
Purchases of fixed assets	<u>(12,854)</u>
Net cash used in investing activities	<u>(12,854)</u>
Cash flows from financing activities:	
Increase in obligations under capital leases	<u>468</u>
Net cash provided by financing activity	<u>468</u>
Net decrease in cash	(51,477)
Cash at beginning of year	<u>72,110</u>
Cash at end of year	<u>\$ 20,633</u>
Supplemental Disclosure of Cash Flow Information:	
Interest paid in cash during the year	<u>\$ 2,406</u>

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

NEW ORLEANS SERVICE CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Organization:

New Orleans Service Center, Inc. is a not-for-profit corporation organized under the laws of the State of Louisiana on July 15, 1991 and was founded to establish and operate accelerated learning centers associated with multi-family housing complexes in the New Orleans metropolitan area. The organization is primarily supported by governmental grants.

NOTE 2 - Summary of Significant Accounting Policies:

A. Income Taxes

New Orleans Service Center, Inc. is exempt from paying corporate income taxes under Section 501(c)(3) of the Internal Revenue Code.

B. Fund Accounting

The accounts of New Orleans Service Center, Inc. are maintained in accordance with the principles of fund accounting whereby resources are classified for accounting and reporting purposes into funds according to their nature and purpose. All financial transactions have been recorded and reported by fund group.

- o Operating funds which include unrestricted and restricted resources, represent the portion of expendable funds that is available for support of operations.
- o The Fixed Assets Fund represents investments in furniture, equipment and software. Depreciation is provided for over various useful lives using the straight-line method.

C. Contributions and Grants

Contributions received are recognized as revenues in the period received at their fair value. Grants are recorded on either a cost reimbursement basis, to the extent that funds are expended in accordance with approved budget purposes, or on the basis of performance under the grant contract. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

NEW ORLEANS SERVICE CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

D. Furniture and Equipment

Furniture 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.

E. Deferred Support

Deferred support in the restricted funds result from grants which have been restricted by the grantor for a specific purpose. Support in the restricted funds is recognized only to the extent that related expenses have been incurred.

F. Total Columns on Statements - Overview

Total columns on the statements indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE 3 - Furniture and Equipment:

Furniture and equipment consisted of the following at December 31, 1995:

Furniture	\$ 12,162
Equipment	110,479
Software	7,051
Vehicle	<u>2,200</u>
	131,892
Less: Accumulated depreciation	<u>64,202</u>
	<u>\$ 67,690</u>

NEW ORLEANS SERVICE CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - Related Parties:

New Orleans Service Center, Inc.'s first center is located within the government subsidized Palmetto Apartments. The learning center is an 1,800 square foot facility that was constructed with the assistance of Vales Management, Inc., Loyola University, HUD, the City of New Orleans and complex owner Allen Favrot on December 5, 1991. Palmetto Apartment Partnership, landowner, and Palmetto Learning Center, Inc., improvement owner, agreed to lease New Orleans Service Center, Inc. the above described property upon the following terms:

The initial term of this lease shall be for five (5) years. After the initial term, this lease shall automatically be renewed for an additional fifteen (15) years, except that lessee may cancel said lease at any time and without penalty by providing lessor with thirty (30) days advance notice. Lessee shall be obligated to a rental of \$100 per year.

NOTE 5 - Capital Leases:

New Orleans Service Center, Inc. is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$13,151 at December 31, 1995 and the accumulated depreciation on those assets totaled \$350.

The following is a schedule of future minimum lease payments under capital leases at December 31, 1995:

<u>Period</u>	<u>Amount</u>
1996	\$12,583
1997	<u>4,572</u>
Total minimum payments	17,155
Less amounts representing interest	<u>4,959</u>
Lease obligation	<u>\$12,196</u>

NEW ORLEANS SERVICE CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - Contingencies:

The organization is a defendant in a lawsuit filed by one of its former employees for alleged discrimination. Outside counsel for the organization has advised that at this stage in the proceedings they cannot offer an opinion as to the probable outcome. The organization believes the suit is without merit and is vigorously defending its position.

NOTE 7 - Program Costs:

Program costs from restricted resources consist of the following at December 31, 1995:

	<u>PROJECT INDEPENDENCE</u>	<u>OPIC</u>	<u>TOTAL</u>
Program Services	\$119,657	\$ 99,357	\$219,014
Transfer-capital lease payments	-0-	12,841	12,841
Equipment use fee	<u>-0-</u>	<u>5,733</u>	<u>5,733</u>
Total costs	<u>\$119,657</u>	<u>\$117,931</u>	<u>\$237,588</u>

NOTE 8 - Fair Values of Financial Instruments:

The estimated fair value of financial instruments have been determined by the Center utilizing available market information and appropriate valuation methodologies. The Center considers the carrying amounts of cash and obligations under capital leases to approximate fair value.

INDEPENDENT AUDITORS' REPORT ON
SCHEDULE OF FEDERAL AWARDS

To the Board of Directors
New Orleans Service Center, Inc.

We have audited the basic financial statements of **New Orleans Service Center, Inc.** for the year ended December 31, 1995, and have issued our report thereon dated April 10, 1996. 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 Organizations". 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.

INDEPENDENT AUDITORS' REPORT ON
SCHEDULE OF FEDERAL AWARDS
(CONTINUED)

Our audit was made for the purpose of forming an opinion on the basic financial statements of **New Orleans Service Center, Inc.** taken as a whole. The accompanying schedule of federal financial assistance is presented only 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.

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

April 10, 1996

NEW ORLEANS SERVICE CENTER, INC.

SCHEDULE OF FEDERAL AWARDS

DECEMBER 31, 1995

<u>Description</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Federal Agency</u>	<u>Expenses</u>
*Project Independence	93.561	4096-A	DSS/OFS	\$119,657
Orleans Private Industry Council (OPIC)	N/A	95-2C-012	Department of Labor	<u>99,357</u>
Total				<u>\$219,014</u>

*Denotes Major Program

See Independent Auditors' Report on Schedule of
Federal Financial Assistance.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
New Orleans Service Center, Inc.

We have audited the financial statements of New Orleans Service Center, Inc. for the year ended December 31, 1995, and have issued our report thereon dated April 10, 1996.

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 OMB Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations". 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.

The management of New Orleans Service Center, 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.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
CONTINUED

In planning and performing our audit of the financial statements of **New Orleans Service Center, 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 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 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.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of **New Orleans Service Center, Inc.** in a separate letter dated April 10, 1996.

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

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

April 10, 1996

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
New Orleans Service Center, Inc.

We have audited the financial statements of **New Orleans Service Center, Inc.**, as of and for the year ended December 31, 1995, and have issued our report thereon dated April 10, 1996. We have also audited the compliance of **New Orleans Service Center, Inc.** with requirements applicable to major federal award programs and have issued our report thereon dated April 10, 1996.

We conducted our audit 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 the financial statements are free of material misstatement and about whether **New Orleans Service Center, Inc.** complied with laws and regulations, noncompliance with which would be material to a major federal award program.

In planning and performing our audit for the year ended December 31, 1995, we considered **New Orleans Service Center, Inc.**'s internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on **New Orleans Service Center, Inc.**'s financial statements 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 programs. We have addressed policies and procedures relevant to our audit of the financial statements in a separate report dated April 10, 1996.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

The management of New Orleans Service Center, 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, 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 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 awards in the following categories:

ACCOUNTING APPLICATIONS

Cash Receipts
Purchasing/receiving
Accounts payable
Cash disbursement
Payroll
Property and equipment
General ledger
Receivables

GENERAL REQUIREMENTS

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

SPECIFIC REQUIREMENTS

Types of services
Eligibility
Matching, level of effort or earmarking
Reporting
Cost allocation

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

For all of the internal control structure categories listed above, 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, New Orleans Service Center, Inc. expended 55 percent of its total federal awards under major 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 major programs. 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.

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 constitute 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. We noted no matters involving the internal control structure and its operations that we considered to be material weakness as defined above.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

We also noted other matters involving the internal control structure and its operation that we have reported to the management of **New Orleans Service Center, Inc.** in a separate letter dated April 10, 1996.

This report is intended for the information of the Board of Directors, management, grantors and the Legislative Auditor of the State of Louisiana. This is not intended to limit the distribution of this report, which is a matter of public record.

Bruno & Tervalon

**BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS**

April 10, 1996

& Tervalon

MICHAEL B. BRUNO, CPA
ALCIDE J. TERVALON, JR., CPA
WALDO J. MORET, JR., CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
LAWS, REGULATIONS AND GRANTS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
New Orleans Service Center, Inc.

We have audited the financial statements of **New Orleans Service Center, Inc.** as of and for the year ended December 31, 1995, and have issued our report thereon dated April 10, 1996.

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 Organizations". 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.

Compliance with laws, regulations, contracts, and grants applicable to **New Orleans Service Center, Inc.** is the responsibility of **New Orleans Service Center, Inc.**'s management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of **New Orleans Service Center, 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 an opinion.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
LAWS, REGULATIONS AND GRANTS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

(CONTINUED)

The results of our tests disclosed no instances of noncompliance that are required to be reportable under Government Auditing Standards.

The current status of the prior year finding is described in the accompanying Schedule of Prior Year Finding.

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

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

April 10, 1996

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR PROGRAMS**

To the Board of Directors
New Orleans Service Center, Inc.

We have audited the financial statements of **New Orleans Service Center, Inc.** for the year ended December 31, 1995 and have issued our report thereon, dated April 10, 1996.

We have audited **New Orleans Service Center, Inc.**'s compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to its major federal financial assistance programs, which are identified in the accompanying schedule of federal assistance, for the year ended December 31, 1994. The management of **New Orleans Service Center, 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 the provisions of Office of Management and Budget Circular (OMB) A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations". 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 above 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.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR PROGRAMS
(CONTINUED)

In our opinion, **New Orleans Service Center, Inc.**, complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; 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 financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the year ended December 31, 1995.

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

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

April 10, 1996

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH GENERAL REQUIREMENTS APPLICABLE TO
FEDERAL AWARDS PROGRAMS

To the Board of Directors
New Orleans Services Center, Inc.

We have audited the financial statements of New Orleans Service Center, Inc. for the year ended December 31, 1995 and have issued our report thereon dated April 10, 1996.

We have applied procedures to test New Orleans Service Center, Inc.'s compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the year ended December 31, 1995.

GENERAL REQUIREMENTS

Political Activity
Civil Rights
Cash Management
Administrative Requirements
Allowable Cost
Drug Free Workplace
Federal Financial Report

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of Educational Institutions and Other Nonprofit Organizations". Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on New Orleans Service Center, Inc's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH GENERAL REQUIREMENTS APPLICABLE TO
FEDERAL AWARDS PROGRAMS
(CONTINUED)

With respect to the items tested, the results of those 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 **New Orleans Service Center, Inc.** had not complied, in all material respects, with those requirements.

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

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

April 10, 1996

& Tervalon

MICHAEL B. BRUNO, CPA
ALCIDE J. TERVALON, JR., CPA
WALDO J. MORET, JR., CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO
NONMAJOR PROGRAM TRANSACTIONS

To the Board of Director
New Orleans Service Center, Inc.

We have audited the financial statements of **New Orleans Service Center, Inc.** as of and for the year ended December 31, 1995, and have issued our report thereon dated April 10, 1996.

In connection with our audit of the financial statements **New Orleans Service Center, Inc.** and with our consideration of the **New Orleans Service Center, Inc.**'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," we selected certain transactions applicable to certain nonmajor federal programs for the year ended December 31, 1995. As required by OMB Circular A-133, we performed auditing procedures to test compliance with the requirements governing types of services allowed or not allowed, eligibility, and that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the **New Orleans Service Center, Inc.**'s compliance with these requirements. 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 preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the **New Orleans Service Center, Inc.**'s had not complied, in all material respects, with those requirements.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO
NONMAJOR PROGRAM TRANSACTIONS
(CONTINUED)

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

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

April 10, 1996

NEW ORLEANS SERVICE CENTER, INC.
SCHEDULE OF PRIOR YEAR FINDING

AUDITED FINANCIAL STATEMENTS

Condition

We noted during our audit that the **New Orleans Service Center, Inc. (the Center)** did not complete a financial and compliance audit within six (6) months of the close of **the Center's** fiscal year.

CURRENT STATUS

We noted during the 1995 audit that the Center has established procedures to facilitate the completion of financial and compliance audits with the prescribed timeframe.