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INDUSTRIES FOR THE BLIND AND VISUALLY IMPAIRED

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AUDIT REPORTS

HALL & THOMAS, INC.
Certified Public Accountants

4919 Jamestown Ave.
Suite 204
Baton Rouge, La. 70808
TERRY R. HALL, CPA

P.O. Box 80151
Baton Rouge, La. 70898
(504) 927-1884
DARRYL D. THOMAS, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Industries For The Blind and Visually Impaired
Delhi, Louisiana

We have audited the accompanying statement of financial position of Industries For The Blind and Visually Impaired, (a nonprofit corporation), as of September 30, 1997 and 1996, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of Industries For The Blind and Visually Impaired's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Industries For The Blind and Visually Impaired, as of September 30, 1997 and 1996, and the changes in net assets and cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 5 to the financial statements, the Organization has filed bankruptcy under Chapter 13 which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter is also described in Note 5.

Hall & Thomas, Inc.
Certified Public Accountants

Baton Rouge, Louisiana
August 25, 1998

HALL & THOMAS, INC.
Certified Public Accountants

4919 Jamestown Ave.
Suite 204
Baton Rouge, La. 70808
TERRY R. HALL, CPA

P.O. Box 80151
Baton Rouge, La. 70898
(504) 927-1884
DARRYL D. THOMAS, CPA

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

To the Board of Directors
Industries For The Blind and Visually Impaired
Delhi, Louisiana

We have audited the financial statements of Industries For The Blind and Visually Impaired, (a nonprofit organization), for the years ended September 30, 1997 and 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 Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions."

Compliance

As part of obtaining reasonable assurance about whether the financial statements of Industries For The Blind and Visually Impaired are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of finding and recommendations.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements of Industries For The Blind and Visually Impaired for the years ended September 30, 1997 and 1996, we considered the internal control over financial reporting in order 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 over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation of the internal control over financial and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The following reportable conditions were noted:

- The small size of the accounting and administrative staff makes it is difficult for Industries For The Blind and Visually Impaired, to attain a complete separation of duties as well as independent check and review over every transaction.
- Property and equipment detailed ledgers are not properly maintained and reconciled to the general ledger.
- The accounting personnel is not adequate to properly maintain the accounting system to provide accurate monthly financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition described above is a material weakness.

The reportable condition presented above as well as other matters involving the internal control and its operation have been discussed more fully in the Findings and Recommendations section of this report.

This report is intended for the information of the board of directors, management and the Louisiana Department of Social Services. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Hall & Thomas, Inc.
Certified Public Accountants

Baton Rouge, Louisiana
August 25, 1998

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TERRY R. HALL, CPA

DARRYL D. THOMAS, CPA

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

To the Board of Directors
Industries For The Blind and Visually Impaired
Delhi, Louisiana

Compliance

We have audited the compliance of Industries For The Blind and Visually Impaired (a nonprofit organization)with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended September 30, 1997. Industries For The Blind and Visually Impaired's compliance major federal programs are identified in the summary of auditor's results section of the accompanying schedule of Findings and Recommendations. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audits of compliance in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Institutions of Higher Education and Other Nonprofit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with requirements.

In our opinion, Industries For The Blind and Visually Impaired, complied, on all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 1997. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of Findings and Recommendations.

Internal Control Over Compliance

The management of Industries For The Blind and Visually Impaired is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. The following reportable conditions were noted:

- The small size of the accounting and administrative staff makes it is difficult for Industries For The Blind and Visually Impaired, to attain a complete separation of duties as well as independent check and review over every transaction.
- Property and equipment detailed ledgers are not properly maintained and reconciled to the general ledger.
- The accounting personnel is not adequate to properly maintain the accounting system to provide accurate monthly financial statements.

This report is intended for the information of the board of directors, management and the Louisiana Department of Social Services. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Hall & Thomas, Inc.
Certified Public Accountants

Baton Rouge, Louisiana
August 25, 1998

FINANCIAL STATEMENTS

INDUSTRIES FOR THE BLIND AND VISUALLY IMPAIRED
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 1997 AND 1996

ASSETS	1997	1996
Current Assets:		
Cash	$12,418	$2,278
Accounts receivable	25,287	22,125
Inventory	64,503	95,778
Total current assets	102,208	120,181
Property and equipment, net of accumulated depreciation of $42,262 and $46,723	386,808	429,070
Deposits	8,160	8,160
Total Assets	497,176	557,411
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current portion of long term debt	76,342	76,342
Accounts payable	265,823	262,846
Wages payable	53,716	53,716
Accrued payroll taxes	164,302	175,777
Accrued interest		
Total Current Liabilities	560,183	568,681
Noncurrent Liabilities:		
Notes Payable - Officer	20,326	20,120
Total Noncurrent Liabilities	20,326	20,120
Total Liabilities	580,509	588,801
Net Assets	(83,333)	(31,390)
Total Liabilities and Net Assets	$497,176	$557,411

The accompanying notes are an integral part of these financial statements

INDUSTRIES FOR THE BLIND AND VISUALLY IMPAIRED
STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 1997 AND 1996

	1997	1996
REVENUES:		
State of Louisiana contracts	394,640	254,344
Private Contracts	18,967	157,419
TOTAL REVENUES	413,607	411,763
EXPENSES:		
Program Services	197,707	305,775
Management and General	267,843	344,665
TOTAL EXPENSES	465,550	650,440
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(51,943)	(238,677)
NET ASSETS AT BEGINNING OF YEAR	(31,390)	207,287
NET ASSETS AT END OF YEAR	(83,333)	(31,390)

The accompanying notes are an integral part of these financial statements

INDUSTRIES FOR THE BLIND AND VISUALLY IMPAIRED
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 1997 AND 1996

	1997			1996		
	PROGRAM SERVICES	MANAGEMENT & GENERAL	TOTAL EXPENSES	PROGRAM SERVICES	MANAGEMENT & GENERAL	TOTAL EXPENSES
Client expenses	26,913	---	26,913	33,214	---	33,214
Salaries & wages	114,439	92,560	206,999	172,440	145,612	318,052
Payroll taxes	8,755	7,081	15,835	13,192	11,139	24,331
Accounting and legal	---	3,570	3,570	---	14,881	14,881
Advertisement	---	2,865	2,865	---	5,572	5,572
Auto expenses	---	2,664	2,664	---	8,165	8,165
Contributions	---	---	0	---	20	20
Consulting fees	900	---	900	885		885
Depreciation	---	42,262	42,262	---	46,723	46,723
Equipment rental	---	11,172	11,172	---	15,344	15,344
Insurance	---	8,478	8,478	---	10,345	10,345
Interest and penalties	---	6,275	6,275	---	7,123	7,123
Licenses and fees	---	947	947	---	1,208	1,208
Manufacting expense	31,275	---	31,275	78,299	---	78,299
Office expense	---	15,765	15,765	---	11,693	11,693
Rent	---	13,245	13,245	---	12,025	12,025
Repairs and maintenance	6,432	8,931	15,363	---	4,512	4,512
Telephone	---	19,288	19,288	---	20,304	20,304
Training	---	1,976	1,976	---	1,405	1,405
Travel	8,993	11,475	20,468	7,745	9,784	17,529
Utilities	---	19,289	19,289	---	18,810	18,810
Total Expenses	197,707	267,843	465,549	305,775	344,665	650,440

The accompanying notes are an integral part of these financial statements

INDUSTRIES FOR THE BLIND AND VISUALLY IMPAIRED
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 1997 AND 1996

CASH FLOWS FROM OPERATING ACTIVITIES	1997	1996
Excess (deficiency) of revenues over expenses	($51,943)	($238,677)
Adjustments to reconcile excess receipts over expenditures to net cash provided by operating activities:		
Depreciation	42,262	46,723
Changes in working capital asset and liability accounts:		
Decrease (increase) in accounts receivable	(3,162)	5,609
Decrease (increase) in inventory	31,275	78,033
Decrease (increase) in equipment deposits		25,000
Increase (decrease) in accounts payable	2,977	(26,793)
Increase (decrease) in accrued wages		52,716
Increase (decrease) in payroll tax liabilities	(11,475)	32,344
Increase (decrease) in accrued interest		(672)
Net cash provided by operating activities	9,934	(25,717)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment		(5,238)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans		63,136
Principal payments on debt	206	
Net cash provided by financing activities	206	63,136
NET INCREASE IN CASH	10,140	32,181
CASH, BEGINNING OF THE YEAR	2,278	(29,903)
CASH, END OF THE YEAR	$12,418	$2,278

The accompanying notes are an integral part of these financial statements

INDUSTRIES FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 1997 AND 1996

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Industries For The Blind and Visually Impaired is a non-profit corporation offering vocational rehabilitation training skills for blind and visually impaired individuals. The organization is funded primarily by state contracts and grants, as well as, private contributions and donations.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with general accepted accounting principles.

Revenues and expenses are recognized and reported in the financial statements when awarded, earned and incurred.

Contributed and donated equipment, materials, and services are recorded when received at fair market value.

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.

Property and Equipment

The organization records purchases of property and equipment at cost. Donations of property and equipment are recorded at fair market value. Depreciation is calculated on the straight line method over the estimated useful lives of the respective assets.

NOTE 2 - ACCOUNTS RECEIVABLES

Accounts receivable, other, primarily consist of fund due for the Louisiana Department of Social Services and contract service provide for other customers.

NOTE 3 - INCOME TAXES

No provision for income taxes have been included in the financial statements since the organization is a non-profit corporation that is exempt from income taxes under Section 501(c)(3).

INDUSTRIES FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 1997 And 1996

NOTE 4 - NOTES PAYABLE

	1997 Short-Term	1997 Long-Term	1996 Short-Term	1996 Long-Term
Capital Bank, 10.5% interest, due in one installment 9/17/95.*	$ 20,342	$ -0-	$ 20,342	$ -0-
Delta Enterprise, 12.00% Interest payable monthly, due May 1996.**	50,000	-0-	50,000	-0-
Daisy Foundation, no interest, due on demand.	$ 6,000	$ -0-	$ 6,000	$ -0-
	$ 76,342	$ -0-	$ 76,342	$ -0-

* Secured by equipment and vehicle.
** Secured by accounts receivable and inventory.

NOTE 5 - GOING CONCERN

The Organization filed bankruptcy under Chapter 13 in 1996 primarily for protection from Internal Revenue due to delinquent payroll taxes. The Organization's financial capability to pay it's outstanding debts is still under review by the bankruptcy court. This raises substantial doubt about the Organization's ability to continue as a going concern.

NOTE 6 - SUBSEQUENT EVENTS

At the time of the report, the Organization had been released from the protection of the Chapter 13 bankruptcy. All the debt is now currently due. Presently, management is contacting all creditors in an attempt to work out payment arrangements. An Offer in Compromise is being prepared for submission to Internal Revenue for payroll tax liability. Management is in the process of negotiating a loan to pay off it's liabilities.

PRIOR YEAR'S FINDINGS

FINDING
In an organization of this size, segregation of duties and independent check and review over accounting and administrative procedures is an inherent problem as well as impractical.

Recommendation
Duties and responsibilities should be evaluated continuously as the organization expands, to reallocate job functions, where necessary, in order to attain the most appropriate internal control and check for the organization.

Management's Response
We concur with the auditor's finding and recommendation. We will monitor and enhance the separation of duties as the organization grows.

Follow-up
This situation continues to exist.

FINDING
The organization did not pay its payroll taxes from employee salaries and wages on a timely basis.

Recommendation
The organization should develop procedures that will insure timely payment of payroll taxes. Such procedures will allow the organization to avoid assessments of penalty and interest for late payment of payroll taxes.

Management's Response
The payroll taxes were not paid timely due to cash flow problems. However, we are currently making payroll tax deposit on a timely basis.

Follow-up
The late deposit of payroll taxes still exist on a smaller scale.

FINDING
The organization's audits for the year ended September 30, 1995 and 1994 were not performed on a timely basis.

This is a failure to comply with reporting standards required by the federal grant programs and State of Louisiana contract agreements, administered by the organization.

PRIOR YEAR'S FINDINGS

Recommendation
The organization should institute procedures to insure that annual audits under the grant program are complied with.

Management's Response
We are currently moving toward bringing our audit requirements up to date. We are in the process of engaging our present auditor to perform the September 30, 1996 audit.

In 1994 and 1995, we had several changes in accounting personnel which delayed the processing of our accounting data. We are presently making changes with the intent of accelerating our ability to adhere to all reporting requirements.

Follow-up
This problem continued to occur with the 1997 and 1996 audits.

FINDING
The organization's tax returns, Form 990, Return of Organization Exempt From Income Tax have not been filed for the years 1994, and 1995. This is a failure to comply with financial standards related to federal taxes.

Recommendation
Form 990 should be completed and filed immediately.

Management's Response
Due to the changes in accounting personnel, the filing of these returns were over looked. We are engaging our present auditor to prepare returns for the years they are auditing.

Follow-up
The organization has done a better job at filing the Form 990 return.

FINDING
The accounting system and personnel is not adequate to properly provide accurate monthly financial statements.

Recommendation
Consideration should be given to hiring a consultant to design, implement and maintain a financial management system which will facilitate timely and accurate financial statements.

PRIOR YEAR'S FINDINGS

Management's Response
We concur with the auditor's finding and recommendation. We plan to hire a accounting consultant to install a new computerized system and review our accounting records on a monthly basis.

Follow-up
The services of an accounting consultant was retained on a monthly basis beginning January 1998.

FINDING
The system used as a detailed property and equipment ledger is not properly maintained and reconciled to the general ledger.

Recommendation
All property and equipment should be recorded in a detailed ledger system when acquired. The total listing should be reconciled to the general on a monthly basis.

Management's Response
The accountant will began to maintain and reconcile the detailed ledger of property and equipment to the general ledger on a monthly basis.

Follow-up
A property and equipment ledger has been maintained and reconciled to the general ledger.

FINDING
The accounts receivable and accounts payable subsidiary ledgers are not properly reconciled to the general ledger on a monthly basis.

Recommendation
The new financial management system should have subsidiary ledgers which interface with the general ledger. These ledgers should be reconciled to the general on a monthly basis.

Management's Response
This will be a consideration in acquiring our new system. We will began to reconcile the subsidiary ledgers to the general ledger on a monthly basis.

Follow-up
The organization beganned this monthly reconciliation, but it has not been consistent.