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LOUISIANA GUARDIANSHIP SERVICES, INC.

FINANCIAL REPORT

JUNE 30, 1997

LOUISIANA GUARDIANSHIP SERVICES, INC.

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Zahn, Kenney & Bresette
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Louisiana Guardianship Services, Inc.

We have audited the accompanying statement of financial position of the Louisiana Guardianship Services, Inc. (the Company) (a nonprofit organization) as of June 30, 1997, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Company'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 and the standards applicable to financial audits contained in 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. 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 the Louisiana Guardianship Services, Inc. as of June 30, 1997, and the changes in its net assets and 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 our report dated December 8, 1997, on our consideration of Louisiana Guardianship Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplemental information included in the Schedule of Functional Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Zahn, Kenney & Bresette

Zahn, Kenney & Bresette
Certified Public Accountants

Metairie, Louisiana
December 8, 1997

700 Papworth Avenue Suite 101 · Metairie, Louisiana 70005 · (504) 831-6635
4954 Highway 22 · Mandeville, Louisiana 70448 · (504) 845-2360

LOUISIANA GUARDIANSHIP SERVICES, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 1997

ASSETS

Cash and cash equivalents	$ 8,681
Cash held in escrow for representative payees	12,182
Receivables:	
Grants (Note 2)	50,706
Prepaid expenses	3,269
Assets restricted to investment in property, furniture, and equipment (Note 3)	
Cost, less accumulated depreciation of $10,404	8,433
Total Assets	$ 83,271

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	$ 7,473
Payroll taxes payable	6,812
Accrued vested annual leave benefits	6,505
Deferred program support (Note 4)	8,720
Lease payable, net (Note 5)	1,716
Funds held in escrow (Note 6)	12,182
Bank line of credit (Note 7)	8,892
Total Liabilities	52,300
Net Assets	
Unrestricted	20,971
Temporarily restricted by donors (Note 8)	10,000
Total Net Assets	30,971
Total Liabilities and Net Assets	$ 83,271

(See notes to financial statements)

LOUISIANA GUARDIANSHIP SERVICES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 1997

	Unrestricted	Temporarily Restricted	Total
Support and Revenues			
Support			
Grant - Federal Government	$ 25,038	$	$ 25,038
Grant - State of Louisiana	174,616		174,616
Contributions		10,000	10,000
Total Support	199,654	10,000	209,654
Revenues			
Investment income	74		74
Other revenue	2,306		2,306
Total Revenue	2,380		2,380
Net assets released from restrictions	10,000	(10,000)	
Total Support and Revenues	212,034		212,034
Expenses			
Program services	207,196		207,196
Management and general	7,800		7,800
Total Expenses	214,996		214,996
Decrease in Net Assets	(2,962)		(2,962)
Net Assets			
Beginning of year	23,933	10,000	33,933
End of year	$ 20,971	$ 10,000	$ 30,971

(See notes to financial statements)

LOUISIANA GUARDIANSHIP SERVICES, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 1997

Cash flows from operating activities:	
Cash received from the State of Louisiana	$ 154,896
Cash received from the Federal Government	25,854
Cash collected from contributors	10,000
Interest received	74
Other revenue	1,218
Cash paid to employees	(134,560)
Fringe benefits	(14,224)
Travel	(12,526)
Office expense	(2,064)
Accounting and professional	(12,506)
Duplicating and printing	(326)
Education and conferences	(6,125)
Insurance	(5,435)
Postage	(1,232)
Rent	(5,134)
Repairs and maintenance	(726)
Telephone	(3,936)
Administrative costs	(3,021)
Net cash used by operating activities	(9,773)
Cash flows from financing activities:	
Payments on equipment lease	(2,544)
Proceeds from bank line of credit	9,000
Payments on bank line of credit	(109)
Net cash provided by financing activities	6,347
Net decrease in cash	(3,426)
Cash at beginning of year	12,107
Cash at end of year	$ 8,681

(See notes to financial statements)

LOUISIANA GUARDIANSHIP SERVICES, INC.

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 1997

Reconciliation of change in net assets to net cash used by operating activities:

Change in net assets	$ (2,962)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	2,691
Amortization of lease interest	1,305
Increase in receivables	(20,980)
Increase in prepaid expenses	(628)
Increase in accounts payable	6,451
Increase in payroll taxes payable	3,362
Decrease in vested annual leave benefits	(1,087)
Increase in deferred program support	2,075
Net cash used by operating activities	$ (9,773)

(See notes to financial statements)

LOUISIANA GUARDIANSHIP SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1997

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Louisiana Guardianship Services, Inc. (the Company) are prepared on the accrual basis of accounting and in accordance with the recommendations of the American Institute of Certified Public Accountants in its Industry Audit Guide, "Audits of Certain Nonprofit Organizations". Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, and relates to the timing of the measurements made. The significant accounting policies followed are described below:

a) Organization:

Louisiana Guardianship Services, Inc. is a non-profit corporation organized under the laws of the State of Louisiana. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is exempt from Louisiana income tax under the authority of R.S. 47:121(5).

The Company is a private non-profit corporation organized to: (1) act as curator or continuing tutor for the person, property, or both, of adults in Louisiana in need of full or limited interdiction or continuing tutorship; (2) to act and be recognized as an agency under contract with the State of Louisiana and its political subdivisions or any department, office, agency, board or commission of either, to perform curatorship or continuing tutorship services for Louisiana citizens pursuant to Title 9, Section 1031 et seq. of the Louisiana Revised Statutes, as amended; (3) to advance continuing legal education for judges and attorneys who are involved in interdiction and continuing tutorship proceedings; and (4) to identify the alternative agencies and existing resources within Louisiana which may meet the needs of Louisiana adults who are declined services by the corporation and to provide a system for referring such persons to these alternative agencies and resources.

Specific program objectives are to protect the rights and interests of mentally incapacitated persons in Louisiana with no one to make decisions on their behalf, the program will:

1. Act as limited or full curator for up to 105 persons during the fiscal year of program operation;

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Provide joint training to DHH-OCDD (Department of Health and Hospitals Office For Citizens With Developmental Disabilities) staff and others selected from the general public, service providers, and the legal community about the work of Louisiana Guardianship Services, Inc. and about all issues surrounding guardianship;

3. Give priority for guardianship services from DHH-OCDD facilities as determined by DHH-OCDD state office;

4. Refer persons who are not eligible for L.G.S.I. services to alternative community resources;

5. To require individuals referred to L.G.S.I. from outside of DHH-OCDD facilities to be screened by DHH-OCDD for prioritization for curatorship assignment;

6. To provide continuing curatorship services to clients relocated from OCDD facilities to private/community placements.

Other specific program objectives are to provide guardianship services to elders who have no one willing or able to assume this responsibility, provide consultation to the legal system about guardianship issues, and education regarding alternatives to guardianship. The guardianship services provided include acting as full or limited guardian of an individual's financial, medical, and treatment planning needs.

The Company also provides additional services to the public as representative payee and court appointed guardian. As representative payee for disabled individuals the Company, at the request of the Social Security Administration or the individuals themselves, receives the individuals' benefits and manages their bills on their behalf. The disabled individuals are usually allowed to remain in their homes while the Company acts as representative payee. As court appointed guardian for individuals who are deemed incompetent, the Company may be ordered to manage the finances, medical, residential and treatment needs of each individual. The Company may also manage some or all of the affairs, including finances, of competent individuals who choose to voluntarily assign the Company Power of Attorney.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Accounting: (Continued)

The Company reports gifts of property, furniture, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Company reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

c) Receivables:

Amounts of the government grants awarded and earned but not received at the end of the grant period, which corresponds to the Company's year end, are accrued as grant receivable at June 30, 1997.

d) Property, Furniture, and Equipment:

Property, furniture, and equipment are stated at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets (seven years). One-half year's depreciation is taken in the year of purchase.

e) Vested Annual Leave Benefits:

Employees are entitled to paid vacations after six months of employment. Vacation time in excess of 160 hours cannot be accrued. Terminated employees will be paid for unused vacation leave if employed in excess of six months.

Vested annual leave benefits are accrued and recorded as a liability when such compensated absences become non-forfeitable. These amounts are not charged as program expenses of Federal government grants or agency contracts, and are treated as non-allowed costs, until they are paid.

Sick leave accrues at eight hours per month, or ninety-six hours per year. There is no maximum accumulated sick leave. Sick leave does not vest with the employee and, therefore, is forfeited upon termination.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Other Support and Revenue Recognition:

Cash donations are recorded as earned revenue when received.

NOTE 2--GRANTS AND CONTRACTS FOR SERVICES RECEIVABLE

The Company has incurred expenses on contracts open at June 30, 1997, in excess of contract fees for services received at that date. A receivable has been recorded on these contracts for the excess expenses as follows:

State of Louisiana Office of Mental Retardation/ Developmental Disabilities	$ 48,446
State of Louisiana Office of Elderly Affairs	2,260
	$ 50,706

NOTE 3--PROPERTY, FURNITURE, AND EQUIPMENT

Property, furniture, and equipment represents acquisitions of tangible personal property by funds provided to the Company by a Federal government grant, a contract for services by an agency funded by the State of Louisiana, or by unrestricted funds of the Company. The Company has the right to use these assets in the programs for which they were acquired.

The U.S. Department of Health and Human Services (DHHS), and the State of Louisiana retain an equitable interest in these capital assets which must be used for the specified program for which they were acquired. DHHS and the State of Louisiana retain the right to require transfer of the asset back to the Federal or State governments, but this is normally exercised only if the program for which the assets were acquired would be transferred from one grantee to another.

Property, furniture, and equipment consisted of the following at June 30, 1997:

Funding Source	Cost	Accumulated Depreciation	Net Book Value
Federal	$ 2,094	$ 1,157	$ 937
State of Louisiana	16,743	9,247	7,496
Totals	$18,837	$10,404	$ 8,433

Depreciation expense for the year ended June 30, 1997 was $2,691.

NOTE 4--DEFERRED PROGRAM SUPPORT

This balance represents funds received from the U.S. Department of Health and Human Services through the Louisiana Governor's Office of Elderly Affairs that have not yet been expended as of June 30, 1997.

NOTE 5--LEASE COMMITMENTS

The Company leased office space for the main office in Metairie under a non cancelable agreement accounted for as an operating lease during the year ended June 30, 1997. The lease expires November 30, 1997.

Future minimum lease payments under this lease as of June 30, 1998 are $2,165.

Rental expense incurred under this lease was $5,133 for the year ended June 30, 1997.

The company has also entered into a lease for a copy machine with terms of three years. Based on the provisions of Statement No. 13, issued by the Financial Accounting Standards Board, the lease meets the criteria of a capital lease and, accordingly, has been recorded as such. This asset is reported at a cost of $4,710. Depreciation of $1,682 has been recognized to date.

Future minimum lease payments under the capital lease, together with the present value of minimum lease payments subsequent to June 30, 1997, are as follows:

June 30, 1998	$3,524
Less amount representing interest	1,808
Present value of minimum lease payments	$1,716

NOTE 6--FUNDS HELD IN ESCROW

This balance represents funds held in a separate Louisiana Guardianship Services, Inc. bank account for the client trust accounts. Deposits are made to this account of the client's personal funds (social security, etc.) and disbursements are drawn from this account for the client's living expenses. The funds in the bank account are the property of the client.

NOTE 7--BANK LINE OF CREDIT

The Company has a bank line of credit which provides short-term borrowings up to $10,000. Interest and principle on advances is payable monthly at the prime rate plus 3.25%, not to exceed a maximum annual rate of 21%. The outstanding balance is $8,892 as of June 30, 1997.

NOTE 8--TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consists of funds from the RosaMary Foundation to coordinate the establishment of a money management program for elderly and disabled persons. The startup of this program is set for the fiscal year ended June 30, 1998. Upon startup, these temporarily restricted net assets will be transferred to unrestricted net assets.

NOTE 9--CREDIT RISK CONCENTRATION AND MAJOR FUNDING SOURCES

The Company receives grants and contracts for services from government agencies which comprises the majority of its revenue.

NOTE 10--DONOR RESTRICTIONS

During the fiscal year ended June 30, 1997 the Company received no funds with donor restrictions.

SUPPLEMENTAL INFORMATION

LOUISIANA GUARDIANSHIP SERVICES, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 1997

	Total	Program Services	Management and General
Salaries	$ 134,560	$ 131,814	$ 2,746
Accounting	8,025	8,025	
Conferences/training	6,125	6,125	
Dues and subscriptions	134	134	
Insurance:			
General	4,689	4,689	
Group	5,996	5,996	
Depreciation	2,691		2,691
Miscellaneous	5,287	4,795	492
Office supplies	1,930	1,930	
Payroll taxes	11,480	11,246	234
Postage	1,232	1,232	
Printing and duplication	417	417	
Professional	10,213	10,213	
Rent	5,146	5,146	
Repairs and maintenance	726	726	
Telephone	3,819	3,819	
Travel	12,526	10,889	1,637
Total	$ 214,996	$ 207,196	$ 7,800

SPECIAL REPORTS OF INDEPENDENT AUDITOR

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
Louisiana Guardianship Services, Inc.

We have audited the financial statements of Louisiana Guardianship Services, Inc. (the Company) as of and for the year ended June 30, 1997, and have issued our report thereon dated December 8, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Company's financial statements 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 tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Company's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our 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 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 judgment, could adversely affect the Company's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

The reportable condition is that there is a lack of segregation of duties in the handling of cash receipts and disbursements due to the relative size of the organization.

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. However, we believe none of the reportable conditions described above is a material weakness.

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

Zahn, Kenney & Bresette

Zahn, Kenney & Bresette
Certified Public Accountants

Metairie, Louisiana
December 8, 1997