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LUTHER C. SPRIGHT & COMPANY

A Corporation of Certified Public Accountants
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INNOVATIVE INDUSTRIES, INC.

DRA PROJECT ALERT

OFFICE OF URBAN AFFAIRS & DEVELOPMENT GRANT

FINANCIAL STATEMENTS FOR

THE GRANT PERIOD ENDING JUNE 30, 1997

AND INDEPENDENT AUDITOR'S REPORT

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

Revised Date: DEC 2 4 1997

INNOVATIVE ENDEAVORS, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Innovative Endorsees Inc., New Orleans, Louisiana

We have audited the accompanying statement of financial position of Innovative Endorsees, Inc. (a nonprofit organization) as of June 30, 1997 and the related statements of activities and changes in net assets for the grant period then-ended. These financial statements are the responsibility of Innovative Endorsees' 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, "Audit of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Innovative Endorsees, Inc. as of June 30, 1997, and for the grant period then-ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated August 21, 1997, on our consideration of Innovative Endorsees, Inc. internal control systems and a report dated August 26, 1997, on its compliance with laws and regulations.


New Orleans, Louisiana
August 26, 1997

INNOVATIVE ENDEAVORS, INC.

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 1997

ASSETS	1997
Current Assets	
Cash	\$2,003
Total Current Assets	2,003
Fixed Assets	
Equipment	34,634
TOTAL ASSETS	36,637
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts Payable	2,013
TOTAL LIABILITIES	2,013
Net Assets	
Net Assets - Operations	-
Net Assets - Property	34,624
TOTAL NET ASSETS	34,624
TOTAL LIABILITIES AND NET ASSETS	36,637

See the Accompanying Notes to the Financial Statements

INNOVATIVE EMBROIDERIES, INC.

STATEMENT OF ACTIVITIES
FOR THE GRANT PERIOD ENDED JUNE 30, 1997

	1997
CONTRIBUTED SUPPORT	
Grant Revenue	\$225,000
Total Contributed Support	225,000
EXPENSES	
PROGRAM SERVICES	
Salaries	85,448
Fringe Benefits	8,537
Student Stipends	15,515
Supplies	6,739
Rent	10,687
Insurance	7,584
Other	924
Equipment	7,600
Total Program Services	142,000
SUPPORTING SERVICES	
Salaries	73,750
Fringe	5,643
Supplies	633
Other	2,659
Postage	250
Insurance	22
Total Supporting Services	82,057
TOTAL EXPENSES	224,057
CHANGE IN NET ASSET	-
NET ASSETS, BEGINNING OF YEAR	-
NET ASSETS, END OF YEAR	-

See the Accompanying Notes to the Financial Statements

INNOVATIVE ENDEAVORS, INC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE GRANT PERIOD ENDED JUNE 30, 1997**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General-

Innovative Endeavors, Inc. is a non-profit corporation under the provisions of Section 501(c)(7) of the Internal Revenue Code. It is located at Southern University in New Orleans, Louisiana. The services offered by Innovative Endeavors, Inc. include providing seventh and eighth grade students from George Washington Carver School an interactive introduction to the use of IBM computers through both classroom theory and laboratory practice.

Innovative Endeavors receives funding from the State of Louisiana.

Basis of Accounting-

The financial statements of Innovative Endeavors, Inc. have been prepared on the accrual basis of accounting, where revenues are recognized when earned and expenses are recognized when incurred.

Fixed Assets-

All fixed assets purchased are the property of the State of Louisiana. As a result, the cost of all fixed assets purchased are accumulated on the Statement of Financial Position for informational purposes only. No such entry is made in the grant recipient's general ledger.

Compensation to Officers-

The members of the Board of Directors received no compensation for services related to the governing of this corporation or any of its programs nor were there any accruals made for these activities during the period being audited.

4. **IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS--**

In June 1993, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 117, Financial Statements of Not-For-Profit Organizations. SFAS No. 117 establishes standards for general purpose external financial statements provided by a not-for-profit organization in an effort to enhance the relevance, understandability, and comparability of the financial statements issued for those organizations. The implementation of this statement, which was required to be implemented not later than the year beginning January 1, 1993, does not have a material effect on Innovative's financial statements. Innovative Endotronics, Inc. was required to report total assets, liabilities, and net assets in a statement of financial position and report a change in net assets in a statement of activities.



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

To the Board of Directors of
Innovative Endeavors, Inc.

We have audited the financial statements of Innovative Endeavors, Inc. (a nonprofit organization) as of and for the year period ended June 30, 1997, and have issued our report thereon dated August 26, 1997. These financial statements are the responsibility of Innovative Endeavors' management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget (OMB) Circular A-133, "Audit of Institutions of Higher Education and Other Nonprofit Institutions." These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

This report is intended for the information of Innovative Endeavors' Board of Directors, management, and the Legislative Auditors of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

New Orleans, Louisiana

August 28, 1997

INNOVATIVE EMPLOYERS, INC.

**SCHEDULE OF FEDERAL AWARDS
FOR THE GRANT PERIOD ENDED JUNE 30, 1997**

Federal Grants/ Pass Through Grants	Federal Contract Number	Expenditure
		\$0.00

State Grants/ Pass Through Grants	State Contract Number	Expenditure
State of Louisiana Office of Urban Affairs & Development		\$225,000



**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
Innovative Endeavors, Inc. New Orleans, Louisiana

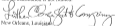
We have audited the financial statements of Innovative Endeavors, Inc. (a nonprofit organization) as of and for the grant period ended June 30, 1997, and have issued our report thereon dated August 26, 1997.

We conducted our 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 (OMB) Circular A-133, "Audit of Institutions of Higher Education and Other Non-profit Organizations." Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

This report is intended for the information of Innovative Endeavor's Board of Directors, management, and the State Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.


New Orleans, Louisiana
August 26, 1997



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

To the Board of Directors of
Innovative Endoscopy, Inc. New Orleans, Louisiana

We have audited the financial statements of Innovative Endoscopy, Inc. (a nonprofit organization) as of and for the grant period ended June 30, 1997, and have issued our report thereon dated August 28, 1997.

We conducted our 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 (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations." These 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 Innovative Endoscopy, 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 the related costs of the internal control structure policies and procedures. The objectives of an internal control structure may be to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

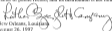
In planning and performing our audit of the financial statements of Innovative Endoscopy, Inc. for the grant period ended June 30, 1997, we obtained an understanding of the internal control system. With respect to the internal control structure, we obtained an understanding of the design of relevant 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.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, 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.

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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of Innovative Enterprises' Board of Directors, management, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.


New Orleans, Louisiana
August 28, 1997



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

To the Board of Directors of
Innovative Enterprises, Inc.

We have audited the financial statements of Innovative Enterprises, Inc. (a nonprofit organization) as of and for the year period ended June 30, 1997, and have issued our report thereon dated August 26, 1997.

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, "Audit of Institutions of Higher Education and Other Nonprofit Institutions." These 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.

In planning and performing our audit for the year period ended June 30, 1997, we considered the internal control structure of Innovative Enterprises in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements of Innovative Enterprises and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal award programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated August 26, 1997.

The management of Innovative Enterprises 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 recorded 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 award programs in the following categories:

Accounting Controls:

- Grant Revenues and Cash Receipts
- Purchases and Cash Disbursements
- General Ledger and Financial Reporting
- Grant Accounting

Controls used in administering compliance with laws and regulations:

General Requirements:

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

Specific Requirements:

- Types of Services
- Eligibility
- Advances and reimbursements
- Amounts claimed or used for matching as determined by the OMB Circular A-11 and other applicable cost principles or regulations that are applicable to each of its major programs
- Reporting

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

During the grant period ended June 30, 1993, Innovative Endovascular had one major program and expended 100 percent of its total federal awards under its major program.

We performed tests of controls, as required by OMB Circular A-113, 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 the aforementioned major program. 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.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Innovative Endovascular's ability to administer federal award programs in accordance with applicable laws and regulations.

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 account 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 structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of Innovative Enterprises' Board of Directors, management and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.


Luther C. Galt & Company
New Orleans, Louisiana
August 28, 1997



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

To the Board of Directors of
Innovative Endoscopy, Inc.

We have audited the financial statements of Innovative Endoscopy, Inc. (a nonprofit organization) as of and for the grant period ended June 30, 1997, and have issued our report thereon dated August 26, 1997.

We have applied procedures to test Innovative Endoscopy's compliance with the following requirements applicable to its federal award programs, which are identified in the accompanying Schedule of Federal Awards, for the grant period ended June 30, 1997: political activity, civil rights, allowable costs, Drug Free Workplace Act, federal financial reports, and administrative requirements.

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

With respect to the items tested, the results of our procedures disclosed no material instances of non-compliance 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 Innovative Endoscopy had not complied, in all material respects, with these requirements.

This report is intended for the information of Innovative Endoscopy's Board of Directors, management, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.



New Orleans, Louisiana
August 26, 1997