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**FINANCIAL STATEMENTS AND
AUDITORS' REPORTS**

RED RIVER EMPLOYMENT SERVICES, INC.

Shreveport, Louisiana

June 30, 1998

These statements of financial position and income of Red River Employment Services, Inc. were prepared by the auditor in accordance with the provisions of the Louisiana Public Accounting Act of 1978, which require the auditor to issue an opinion on the financial statements of the entity and other applicable financial statements. The report is intended for the public inspection of the State of Louisiana office of the Inspector General for use, where appropriate, as the basis of the parish audit of 1998.

Release Date

RED HIVER EMPLOYMENT SERVICES, INC.
Shreveport, Louisiana

FINANCIAL STATEMENTS AND AUDITORS' REPORTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

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DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Red River Employment Services, Inc.

We have audited the accompanying statement of financial position of Red River Employment Services, Inc. (a nonprofit corporation) as of June 30, 1998, and the related statement of activities and statement of cash flows for the fiscal year then ended. These financial statements are the responsibility of the Corporation's board of directors. 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 Government Auditing Standards, issued by the Comptroller General of the United States. These 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 Red River Employment Services, Inc. as of June 30, 1998, and the changes in 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 a report dated October 26, 1998, on our consideration of Red River Employment Services, Inc.'s internal control structure and on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Certified Public Accountants

October 26, 1998

RED RIVER EMPLOYMENT SERVICES, INC.
Statement of Financial Position
June 30, 1988

ASSETS

Cash and cash equivalents	\$ 24,071
Grants receivable	44,707
Other receivables	23
Property and equipment (net)	9,474
Organizational costs (net)	367
Deposits	<u>408</u>
TOTAL ASSETS	<u>\$ 78,952</u>

LIABILITIES

Accounts payable	\$ 4,888
Payroll taxes payable	6,786
Salaries payable	<u>1,938</u>
TOTAL LIABILITIES	12,612

NET ASSETS

Unassociated	<u>66,336</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 78,952</u>

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

HIB RIVER EMPLOYMENT SERVICES, INC.
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 1998

UNRESTRICTED NET ASSETS

Support	
LA Rehabilitation Services	\$ 223,556
LA Office of Mental Health	48,650
The Community Foundation	4,600
Contributions	1,200
Miscellaneous	<u>1,396</u>
Total unrestricted support	<u>279,402</u>
Expenses	
Program services	
Job coaching	133,800
Assessment	25,855
JOBS Program	12,527
Follow Along Program	3,811
Consulting	2,985
Job Development	27,960
Supporting services	
Administrative	<u>48,888</u>
Total expenses	<u>258,546</u>
Increase in unrestricted net assets	18,856
Net assets at beginning of period	<u>47,372</u>
Net assets at end of period	<u>\$ 66,228</u>

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

BED HIVE EMPLOYMENT SERVICES, INC.
Statement of Cash Flows
For the Year Ended June 30, 1998

Cash Flows from Operating Activities:

Increase in Net Assets	\$ 18,864
Adjustments to reconcile Increase in Net Assets to Net Cash from Operating Activities:	
Depreciation	2,294
Amortization	153
Deceased Equipment Included in Support	(1,200)
Increase in Grants Receivable	(21,986)
Increase in Other Receivables	(23)
Increase in Deposits	(908)
Increase in Accounts Payable	228
Increase in Payroll Taxes Payable	4,872
Decrease in Salaries Payable	<u>(25,478)</u>
Net Cash from Operating Activities	(576)
Cash Flows from Investing Activities:	
Purchase of Equipment	<u>(2,714)</u>
Net Cash used in Investing Activities	(2,714)
Net Decrease in Cash and Cash Equivalents	(3,290)
Cash and Cash Equivalents at Beginning of Period	<u>22,361</u>
Cash and Cash Equivalents at End of Period	<u>\$ 19,071</u>

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

RED RIVER EMPLOYMENT SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

NOTE 1 NATURE OF ACTIVITIES

Red River Employment Services, Inc. was created on March 23, 1994 as a non-profit corporation as defined by the Louisiana non-profit corporation law (Title 12, Chapter 2, L.A. Revised Statutes of 1950 as revised and codified by Act 165 of 1968, Legislature of Louisiana and as amended). Red River Employment Services, Inc. serves the parishes of Caddo, Bossier, Webster, Calcasieu, Bienville, Red River, Deaso, Sabine, Natchitoches and Winn in accordance to the state plan of Louisiana Office of Human Services for Region VI.

Red River Employment Services, Inc. provides supportive employment services to individuals with serious psychiatric disabilities as defined by Louisiana Rehabilitation Services, and to encourage self support among those individuals served by the **Organization** in the area of employment.

The corporation is organized on a non-stock basis under the authority of the provisions of Louisiana law, particularly L.A.R.S. of 1990, Title 12, Sections 203-209, as amended.

The corporation qualifies as an exempt organization under Section 501 (c) of the Internal Revenue Code as an organization described in Section 501 (c)(3), and is treated as a publicly supported organization, and not as a private foundation during an advance ruling period beginning April 19, 1994 and ending June 30, 1998.

The accompanying financial statements of the **Organization** presents the financial position and changes in net assets of the various programs. All activities of the **Organization** are included in these financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation:

Financial statement presentation follows Statement of Financial Accounting Standards (SFAS) No. 117, **Financial Statements of Not-for-Profit Organizations**. Under SFAS No. 117, the **Organization** is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

RED RIVER EMPLOYMENT SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting:

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting refers to the timing of the measurements made, regardless of the measurement focus applied.

The financial statements have been prepared on the accrual basis of accounting whereby revenues are recognized in the accounting period in which they are earned. Expenses are recognized in the accounting period in which the liability is incurred, if measurable.

Budget Policy:

Budgets for the various programs are prepared by the Organization's Executive Director and approved by the grantor of the funds for each respective program. Budgets are prepared on a basis consistent with generally accepted accounting principles.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles include the use of estimates that affect the financial statements. Accordingly, actual results could differ from these estimates.

Depreciation and Amortization:

All fixed assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are stated at their estimated fair market value on the date of donation.

Depreciation is provided in the financial statements over estimated useful lives on a straight-line basis. The following estimated useful lives are generally used:

Furniture and equipment 5 to 15 years

Expenses for additions, major renewals and betterments are capitalized and expenses for maintenance and repairs are charged to operations as incurred.

RED RIVER EMPLOYMENT SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents:

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposits, and all highly liquid debt instruments with original maturities of three months or less.

NOTE 3 FINANCING POLICIES AND SOURCES OF FUNDS

The **Organization** receives its monies through various methods of funding. Funds are provided under grant awards and received under a cost reimbursement method.

NOTE 4 BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

NOTE 5 GRANTS RECEIVABLE

Grants receivable at June 30, 1998, consist of reimbursements for services provided under the following program:

LA Rehabilitation Services	\$ 34,989
Office of Mental Health	<u>10,718</u>
	<u>\$ 45,707</u>

NOTE 6 INCOME TAX STATUS

The **Organization** is classified as a Section 501 (c)(3) Organization under the Internal Revenue Code. As a result, it has been determined to be exempt from federal and state income taxes.

RED RIVER EMPLOYMENT SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 1998

NOTE 7 PROPERTY AND EQUIPMENT

A summary of property and equipment and accumulated depreciation at June 30, 1997 follows:

	Property and Equipment			
	Balance 201997	Additions	Deletions	Balance 6/30/98
Furniture & equipment	\$ 18,577	\$ 3,914	—	\$ 22,491
Total	<u>\$ 18,577</u>	<u>\$ 3,914</u>	<u>—</u>	<u>\$ 22,491</u>
	Accumulated Depreciation			
	Balance 201997	Additions	Deletions	Balance 6/30/98
Furniture & equipment	\$ 2,632	\$ 2,394	—	\$ 5,026
Total	<u>\$ 2,632</u>	<u>\$ 2,394</u>	<u>—</u>	<u>\$ 5,026</u>

Any equipment purchased must be used for program services for two years or the equipment will revert to the Louisiana Rehabilitation Services.

Of the above Furniture & Equipment additions, \$1,208 is the value of a telephone system donated by Willis-Knighton Medical Center.

NOTE 8 COLLATERALIZATION OF BANK DEPOSITS

The total amount of deposits in financial institutions at June 30, 1998, was \$24,871. This amount was insured against loss by the Federal Insurance Depositors Insurance Corporation (FDIC).

RED RIVER EMPLOYMENT SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

NOTE 9 JUDGEMENTS, CLAIMS AND SIMILAR CONTINGENCIES

There is no litigation pending against the Organization as of June 30, 1998. Furthermore, the Organization's management believes that any potential lawsuits would be adequately covered by insurance.

The ability of Red River Employment Services, Inc. to continue its operations is contingent upon continued funding from Louisiana Rehabilitation Services and Office of Mental Health.

The Organization receives support from various Federal and State grant programs which are subject to final review and approval as to allowability of expenditures by the respective grantor agencies. Any settlements or expenses arising out of a final review are recognized in the period in which agreed upon by the agency and the Organization. Also, it is management's opinion that any audits by the grantor agencies would not produce disallowed program costs and liabilities to such an extent that they would materially affect the Organization's financial position.

NOTE 10 FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 11 COMPENSATED ABSENCES

Accrued leave does not accumulate from one year to the next, therefore no amounts have been recorded in the financial statements.



DAUZAT, BEALL & DEBEVEC, CPAs

A PROFESSIONAL CORPORATION

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

Board of Directors
Red River Employment Services, Inc.
Shreveport, Louisiana

We have audited the financial statements of Red River Employment Services, Inc. as of and for the year ended June 30, 1998 and have issued our report thereon dated October 30, 1998. 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.

Compliance

As part of obtaining reasonable assurance about whether Red River Employment Services, Inc.'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 these 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 Red River Employment Services, Inc.'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. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management and all applicable state and federal agencies. However, this report is a matter of public record and its distribution is not limited.

Robert Earl of Alabama

Certified Public Accountant
October 26, 1958