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## YOUTH DEVELOPMENTS UNLIMITED, INC. OF NEW ORLEANS

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

Reference Date SEP 2 9 1998

### FINANCIAL AND COMPLIANCE AUDIT

TOGETHER WITH

### INDEPENDENT AUDITORS' REPORT

FOR THE SEVEN MONTHS ENDED DECEMBER 31, 1996

**Bruno  
& Tervalon**

CHARTERED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Youth Developments Unlimited, Inc.  
of New Orleans

We have audited the accompanying balance sheet of Youth Developments Unlimited, Inc. of New Orleans (a corporation) as of December 31, 1996, and the related statements of income, retained deficit and cash flows for the seven months then ended. These financial statements are the responsibility of the management of the Youth Developments Unlimited, Inc. of New Orleans. 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. 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 Youth Developments Unlimited, Inc. of New Orleans as of December 31, 1996, and the results of its operations and its cash flows for the seven months then ended in conformity with generally accepted accounting principles.

**INDEPENDENT AUDITORS' REPORT  
(CONTINUED)**

To the Board of Directors  
Youth Developments Unlimited, Inc.  
of New Orleans

Page 2

In accordance with Government Auditing Standards, we have also issued our report dated September 10, 1998 on our consideration of Youth Developments Unlimited, Inc. of New Orleans 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 Youth Developments Unlimited, Inc. of New Orleans taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not 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.

*Bruno & Tervalon*

**BRUNO & TERVALON**  
CERTIFIED PUBLIC ACCOUNTANTS

September 10, 1998

**Bruno**

CERTIFIED PUBLIC ACCOUNTANTS

**& Tervalon**

**YOUTH DEVELOPMENTS UNLIMITED, INC. OF NEW ORLEANS**  
**BALANCE SHEET**  
**DECEMBER 31, 1996**

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**ASSETS**

<i>Current Assets:</i>	
Cash	\$ 464
Grants receivable	<u>7,952</u>
Total current assets	<u>8,416</u>
Furniture and equipment-net	<u>12,043</u>
Total assets	\$ <u>20,459</u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

<i>Current Liabilities:</i>	
Accounts payable	\$ 1,889
Other payables	1,698
Notes payable (NOTE 3)	<u>1,665</u>
Total current liabilities	<u>5,252</u>
<i>Stockholder's Equity:</i>	
Common stock, no par value, 100 shares authorized, issued and outstanding	15,464
Retained deficit	<u>(2,257)</u>
Total stockholder's equity	<u>13,207</u>
Total liabilities and stockholder's equity	\$ <u>20,459</u>

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

YOUTH DEVELOPMENTS UNLIMITED, INC. OF NEW ORLEANS  
STATEMENT OF INCOME AND RETAINED DEFICIT  
FOR THE SEVEN MONTHS ENDED DECEMBER 31, 1996

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**INCOME**

Grant revenue-Federal Agency	\$ 43,479
Grant revenue-State Agency	15,415
Grant administrative fee-State Agency	<u>1,438</u>
Total income	<u>60,332</u>

**EXPENSES**

Program Expenses:

Salaries and fringe benefits	32,135
Office and student supplies	1,811
Repairs and maintenance	1,284
Professional services	11,500
Building rent	6,100
Insurance	1,343
Utilities	1,400
Telephone	1,428
Postage	51
Others	<u>820</u>

Total program expenses before depreciation 59,682

Depreciation 2,900

Total expenses 62,582

Net loss (2,250)

Retained deficit, June 1, 1996 0

Retained deficit, December 31, 1996 \$ (2,252)

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

**YOUTH DEVELOPMENTS UNLIMITED, INC. OF NEW ORLEANS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE SEVEN MONTHS ENDED DECEMBER 31, 1996**

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<b>Cash flows from Operating Activities:</b>	
Net loss	\$ (2,257)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	2,907
(Increase) in assets:	
Grants receivable	(7,952)
Increase in liabilities:	
Accounts payable	1,889
Other payables	<u>3,698</u>
Net cash used in operating activities	<u>\$(1,713)</u>
<b>Cash flows from Financing activities:</b>	
Loan proceeds	23,861
Issuance of stock	514
Repayments	<u>(22,196)</u>
Net cash provided by financing activities	<u>2,179</u>
Net increase in cash	466
Cash, beginning of year	<u>0</u>
Cash, end of year	<u>\$ 466</u>
<b>Non-cash investing and financing transactions:</b>	
Acquisition of equipment	<u>\$ 14,958</u>

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



**YOUTH DEVELOPMENTS UNLIMITED, INC. OF NEW ORLEANS**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 - Summary of Significant Accounting Policies**

A summary of Youth Developments Unlimited, Inc. of New Orleans' (YDUNO) significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**Organization and Purpose**

YDUNO, located in the City of New Orleans, is a for-profit educational company established to provide basic education to youths in the New Orleans area. The program also provides pre-employment or work maturity, drug awareness and homework assistance. To assist in meeting its objective, YDUNO received funds from the State of Louisiana.

**Basis of Accounting**

The financial statements of YDUNO are prepared on the accrual basis. Accordingly, revenues is recorded when earned and expenses are recorded when incurred.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Fair Value of Financial Instruments**

The estimated fair value of all significant financial statement accounts have been determined by YDUNO using available market information and appropriate valuation methodologies.

YDUNO considers the carrying amounts to cash, grants receivable, note payable, accounts payable and accrued expenses to approximate fair value.

**YOUTH DEVELOPMENTS UNLIMITED, INC. OF NEW ORLEANS**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 1 - *Summary of Significant Accounting Policies, Continued*

*Property and Equipment*

Property and equipment are recorded at cost less accumulated depreciation.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

NOTE 2 - *Furniture and Equipment*

Furniture and equipment consisted of the following at December 31, 1996:

Furniture and equipment	\$14,475
Other equipment	<u>433</u>
	14,908
Less accumulated depreciation	<u>2,567</u>
Total	<u>\$12,341</u>

NOTE 3 - A summary of the note payable as of December 31, 1996 is as follows:

Note payable to a financial institution,  
incurred under \$1,665 revolving  
line-of-credit, due January 31, 1997.  
The note bears interest at 12.250% .  
The indebtedness is unsecured.

\$1,665

**YOUTH DEVELOPMENTS UNLIMITED, INC. OF NEW ORLEANS**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 4 - Commitments**

Rental expenses resulting from facility operating leases approximate \$6,100 for the seven months ended December 31, 1996.

The future minimum lease payments under noncancelable operating leases as of December 31, 1996, that have remaining lease terms within a year or less amount to \$750.

YDUNO has entered into contractual arrangements with certain individuals to provide operational assistance, tutorial, self-development, and recreational assistance. Such contracts are generally for six (6) to twelve (12) month periods.

**NOTE 5 - Income Taxes**

At December 31, 1996 YDUNO has available unused operating loss carry forwards which may be applied against future taxable income and that expire in 2011.

**NOTE 6 - Contingencies**

YDUNO is a recipient of grants from Federal and State funds. These grants are governed by various Federal and State policies, regulations, and contractual agreements.

The administration of the program and activities funded by these grants is under the control and administration of YDUNO and is subject to audit and/or review by the applicable funding sources. Any grant or award funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding sources may be subject to repayment.

At December 31, 1996 all YDUNO's operating income is derived from grants.

**YOUTH DEVELOPMENTS UNLIMITED, INC. OF NEW ORLEANS**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 7 - Risk Management**

YDUNO is exposed to various risk of loss related to tests; theft of; damage to and destruction of assets from which YDUNO carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**NOTE 8 - Subsequent Events**

On March 30, 1998 YDUNO was dissolved.

## SUPPLEMENTAL DATA

**YOUTH DEVELOPMENTS UNLIMITED, INC. OF NEW ORLEANS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE SEVEN MONTHS ENDED DECEMBER 31, 1996**

Federal/Grantor/Pass-Through Contract/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal State Expenditures
<b>Federal Agency:</b>			
Administration for Children and Families:			
Pass through Program from:			
State Department of			
Social Services:			
Office of Family Support	97-561	10-8035	545,409
<b>State Agency:</b>			
Department of Social Services			
Office of Family Support-JOBS	N/A	10-8035	16,892
Total expenditures			<u>562,302</u>

NOTE: (1) Amounts reported in this schedule agree with the amounts reported in the related State financial reports.  
(2) Federal CFDA number is not applicable to all State funds.

See accompanying independent auditors' report and notes to financial statements.

**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**

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To the Board of Directors  
Youth Developments Unlimited, Inc.  
Of New Orleans

We have audited the financial statements of Youth Developments Unlimited, Inc. of New Orleans (YDUNO), as of and for the seven months ended December 31, 1998 and have issued our report thereon dated September 10, 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 YDUNO'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 an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying Summary of Findings and Reportable Conditions as item number 98-01.

**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  
(CONTINUED)**

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To the Board of Directors  
Youth Developments Unlimited, Inc.  
Of New Orleans

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered YOUNG'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 YOUNG's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Summary of Findings and Reportable Conditions as item numbers 98-02 through 98-04.

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.



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  
(CONTINUED)

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To the Board of Directors  
Youth Developments Unlimited, Inc.  
Of New Orleans

We also noted other matters involving the internal control over financial reporting that we have reported to management of YDUINO in a separate letter dated September 10, 1998.

This report is intended for the information of the Board of Directors, management, regulatory agencies, and pass-through entity. However, this report is a matter of public record and its distribution is not limited.

*Bruno & Tervalon*

BRUNO & TERVALON  
CERTIFIED PUBLIC ACCOUNTANTS

September 10, 1998

**YOUTH DEVELOPMENTS UNLIMITED, INC. OF NEW ORLEANS  
SUMMARY OF FINDINGS AND REPORTABLE CONDITIONS**

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**498-01 Open Meetings**

**Condition**

YDUNO's meetings, as they relate to public funds, have not been posted as an open meeting as required by LSA-RS 42:1 through 42:12 (the open meeting laws).

**Recommendation**

We recommend that management make all necessary efforts to ensure all meetings are posted as required by law.

**Management's Response**

We agree with the findings on open meetings. YDUNO will comply by posting on the front of office building.

**498-02 Annual Audit**

**Condition**

The financial and compliance audit of financial statements of YDUNO for the seven (7) months ended December 31, 1996 was not completed within six (6) months in accordance with the Louisiana Revised Statute 24:513 and Section 329.01 of the Louisiana Governmental Audit Guide.

**Recommendation**

We recommend that management make all necessary efforts to ensure timely compilation/attestation of all the financial statements of YDUNO as required by law.

**Management's Response**

Efforts were made to comply in a timely manner. However, due to circumstances beyond the control of YDUNO management, the audit was not performed in a timely manner. However, provisions will be implemented to prevent recurrence.

**YOUTH DEVELOPMENTS UNLIMITED, INC. OF NEW ORLEANS  
SUMMARY OF FINDINGS AND REPORTABLE CONDITIONS,  
CONTINUED**

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**098-03 Records Retention and Storage**

**Condition**

During our fieldwork, we noted that accounting records needed for the audit could not be easily retrieved. Our discussion with management revealed that YDU/NO did not maintain adequate control systems to ensure safeguards against unauthorized removal, destruction or misplacement of records. This condition contributed in part to the delay in the timely completion of the audit.

**Recommendation**

Management should implement proper policies and procedures to ensure proper record retention and retrieval.

**Management's Response**

Proper retention/destruction policy and procedures are implemented. However, company management created and released records to prior accountant and prior CPA for the purpose of audit and was not retained in a timely manner.

**098-04 Controls over Cash Transactions**

**Condition**

During our review of selected cash transactions we noted certain instances of weak controls over cash transactions. The conditions noted are listed as follows:

- Lack of timely preparation of all bank reconciliations by the outside accountants;
- Lack of evidence supporting reviews of all bank reconciliations tested by us; and
- All checking accounts were out-of-balance at December 31, 1996. This condition was resolved prior to the completion of our fieldwork.

**Recommendation**

Management should endeavor to ensure proper controls are maintained over cash transactions at all times.

YOUTH DEVELOPMENTS UNLIMITED, INC. OF NEW ORLEANS  
SUMMARY OF FINDINGS AND REPORTABLE CONDITIONS,  
CONTINUED

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**098-04 Controls over Cash Transactions, Continued**

Management's Response

Agreed with findings. In recognition of negligence of this magnitude, management has taken steps to develop a more effective working relationship with contracted professionals in the area of accountancy.

**YOUTH DEVELOPMENTS UNLIMITED, INC. OF NEW ORLEANS  
STATUS OF PRIOR YEAR'S FINDINGS AND RECOMMENDATIONS**

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Description	Resolved	
	Yes	No
1. Incomplete participant files	X	
2. Conflict of interest	X	
3. Inconsistent method of calculating benchmark	X	
4. No support documentation	X	

**NOTE:** All prior year's findings were identified in the audit report on the financial statements of Orleans Private Industry Council, Inc.-Youth Developments Unlimited, Inc. of New Orleans, as of and for the period from January 25, 1993 through August 30, 1993.

YOUTH DEVELOPMENTS UNLIMITED, INC. OF NEW ORLEANS  
EXIT CONFERENCE

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The audit report was discussed with representatives of YDUNO. Those persons participating in the discussion were:

YOUTH DEVELOPMENTS UNLIMITED, INC. OF NEW ORLEANS

Ms. Adelaide Farve - Chief Executive Officer  
Mr. Stanley Price - Accountant

BRUNO & TERVALON, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Michael B. Bruno, CPA - Engagement Partner  
Mr. Joseph A. Akarji, CPA - Audit Supervisor

*Bruno & Tervalon*

BRUNO & TERVALON  
CERTIFIED PUBLIC ACCOUNTANTS

September 10, 1998