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SERENITY 67

FINANCIAL STATEMENTS

JUNE 30, 1998

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.

Release Date NOV 18 1998

Serenity 67

Financial Statements

June 30, 1998

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Serenity 67

I have audited the accompanying statement of financial position of Serenity 67 (a non-profit organization) as of June 30, 1998, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Serenity 67 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, I have also issued a report dated October 9, 1998, on my consideration of Serenity 67's internal control structure, and a report dated October 9, 1998, on its compliance with laws and regulations.



Baton Rouge, Louisiana
October 9, 1998

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

To the Board of Directors
Serenity 67

I have audited the financial statements of Serenity 67 (a nonprofit organization) as of and for the year ended June 30, 1998, and have issued my report thereon dated October 9, 1998.

I conducted my audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Serenity 67 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, 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 my audit of the financial statements of Serenity 67 for the year ended June 30, 1998, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under the standards established by the American Institute of Certified Public Accountants. 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 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. I noted no matters involving the internal control structure and its operation that I

consider to be material weaknesses as defined above.

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

A handwritten signature in black ink, appearing to be "A. H. ...", written in a cursive style.

Baton Rouge, Louisiana
October 9, 1998

ROY HEBERT
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**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
Serenity 67


I have audited the financial statements of Serenity 67 (a nonprofit organization) as of and for the year ended June 30, 1998, and have issued my report thereon dated October 9, 1998.

I conducted my audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 Serenity 67 is the responsibility of Serenity 67's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Serenity 67's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests of compliance disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

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


Baton Rouge, Louisiana
October 9, 1998

Serenity 67
Statement of Financial Position
June 30, 1998

ASSETS

Current assets

Cash in bank	\$	2,976
Grants receivable		57,498
Total current assets		60,474

Property, plant and equipment

Office furniture and fixtures		9,457
Office machinery and equipment		53,558
Vehicle		38,484
Leasehold improvements		8,507
		110,006
Accumulated depreciation and amortization		(37,112)
Net property, plant and equipment		72,894

TOTAL ASSETS

\$ 133,368

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$	6,334
Accrued payroll		2,098
Accrued and withheld payroll taxes		6,650
Total current liabilities		15,082

Net assets

Unrestricted		118,286
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TOTAL LIABILITIES AND NET ASSETS

\$ 133,368

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

Serenity 67
Statement of Activities
For the Year Ended June 30, 1998

SUPPORT AND REVENUE

Support:

Contributions	\$ 9,215
Total support	9,215

Revenue:

Grant funds	445,819
Interest income	1,304
Total revenue	447,123

Total support and revenue	456,338
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EXPENSES

Program services

Adult Literacy	105,538
Drug-free and Tutorial Services	67,225
Elderly and Youth Services	225,120
	397,883

Supporting services

Management and general	21,221
	21,221

Total expenses	419,104
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Change in net assets	37,234
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Net assets, beginning of year	81,052
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Net assets, end of year	\$ 118,286
-------------------------	------------

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

Serenity 67
Statement of Cash Flows
For the Year Ended June 30, 1998

Cash flows from operating activities	
Change in net assets	<u>\$ 37,234</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	18,731
(Increase)decrease in grants receivable	(38,293)
Increase(decrease) in accounts payable	(15,014)
Increase(decrease) in accrued liabilities	(1,851)
Total adjustments	<u>(36,427)</u>
Net cash provided (used) by operating activities	<u>807</u>
Cash flow from investing activities:	
Cash payments for the purchase of property	(26,026)
Net cash provided (used) by investing activities	<u>(26,026)</u>
Net increase (decrease) in cash and equivalents	(25,219)
Cash and equivalents, beginnng of the year	28,195
Cash and equivalents, end of the year	<u><u>\$ 2,976</u></u>

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

Serenity 67
Statement of Functional Expenses
For the Year Ended June 30, 1998

	Adult Literacy Services	Drug-free and Tutorial Youth Services	Elderly and Youth Services	Total Program Services
Accounting	\$ 2,000	\$ 2,500	\$ 7,700	\$ 12,200
Advertising	525		20	545
Amortization				
Auto expenses			12,387	12,387
Bank charges	10	140	409	559
Contract labor	1,730		6,314	8,044
Depreciation				
Food and snacks		1,889	7,686	9,575
Garbage pick-up			776	776
Insurance	587	172	11,271	12,030
Mileage			1,352	1,352
Miscellaneous		157	5,490	5,647
Payroll taxes	7,234	5,437	14,786	27,457
Pest control			420	420
Postage			29	29
Rent	16,457	2,621	1,522	20,600
Repairs			5,118	5,118
Salaries	66,154	53,322	117,484	236,960
Security	630		574	1,204
Supplies	8,728	463	10,143	19,334
Telephone			5,176	5,176
Travel and conferences			3,339	3,339
Utilities	1,483	524	7,645	9,652
Yard services			5,479	5,479
Total expenses	\$ 105,538	\$ 67,225	\$ 225,120	\$ 397,883

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

Managment and General	Total
\$	\$ 12,200
	545
218	218
	12,387
	559
	8,044
18,513	18,513
	9,575
	776
2	12,032
54	1,406
	5,647
20	27,477
	420
	29
2,000	22,600
	5,118
263	237,223
	1,204
151	19,485
	5,176
	3,339
	9,652
	5,479
<u>\$ 21,221</u>	<u>\$ 419,104</u>

Serenity 67
Notes to Financial Statements
June 30, 1998

NOTE 1- Organization

Serenity 67 was organized in Louisiana in 1993 as a non-profit corporation for the purpose of providing human services to the residents of Louisiana House of Representatives District 67. Services provided include homemaker services for the elderly and infirm in the District, tutoring, self-esteem programs, personal hygiene programs, and drug abuse prevention and awareness counseling for the youth of the District, and adult education courses.

NOTE 2- Summary of Significant Accounting Policies

Financial Statement Presentation

Serenity 67 follows the recommendations of the Financial Accounting Standards Board in its 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.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Leasehold Improvements

Leasehold improvements are carried at cost. Amortization is computed using the straight-line method over the estimated useful lives of the respective improvements. When improvements are abandoned or otherwise disposed of, the cost and related accumulated amortization are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred.

Income Taxes

Income taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. In addition, the organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 501(9) of the code.

Serenity 67
Notes to Financial Statements(continued)
June 30, 1998

Revenue Recognition

Contributions are recorded when received unless susceptible to accrual. Grant revenues are recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

Functional Expenses

Functional expenses have been allocated between program services and supporting services based on an analysis of personnel time and space utilized for the related activities.

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.

NOTE 3-Business and Credit Concentrations

Serenity 67's primary sources of revenue are from grants administered and/or funded by the State of Louisiana. During the year presented, approximately 97% of the Organization's revenues were derived from these sources. All of the amounts listed as grants receivable are from these grants.

The Organization's clients, during the year presented, all reside within Louisiana House of Representatives District 67.

NOTE 4-Operating Leases

The organization had two noncancelable operating leases for facilities it occupies. One lease expired in July, 1996, and was on a month-to-month basis and has been terminated. The other lease was for a period of one year from May, 1994, through April, 1995, and was on a month-to-month basis and has been terminated. Rental expense for these leases consisted of \$16,100 for the year ended June 30, 1998.

The organization has a noncancelable operating lease for facilities it occupies. The lease is for the period April 1, 1998, through April 1, 1999. Rental expense for this lease consisted of \$4,500 for the year ended June 30, 1998.

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To the Senior Management and
the Board of Directors
Serenity 67

In planning and performing my audit of the financial statements of Serenity 67 for the year ended June 30, 1998, I considered the organization's internal control structure to plan my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit, I noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. (I previously reported on the organization's internal control structure in my report dated October 9, 1998.) This letter does not affect my report dated October 9, 1998, on the financial statements of Serenity 67. I will review the status of these comments during my next audit engagement. I will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. My comments are summarized as follows:

Organizational Structure

This size of Serenity 67's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. The situation dictates that the Board of Directors remain actively involved in the financial affairs of the organization to provide oversight and independent review functions.

Compliance with Contractual Requirements of Funding Sources

While testing Serenity 67's compliance with various requirements of its grantor agencies, I noted that the organization did not comply with two program-related requirements of one grantor. The contract called for monthly reporting of program expenditures by a specified date. While all reports were filed, they were not filed in a timely manner.

The same grantor required the use of a separate bank account for the deposit and expenditure of the grant funds and also prohibited the co-mingling of its grant funds with other organization funds. A separate bank account was maintained and used for grant funds, however, the funds were co-mingled with other funds.

These comments are identical to the ones made upon my completion of the audit for the year ended June 30, 1997, and are the only comments made in connection with that audit.

I wish to thank the Executive Director for her assistance during my audit.

This report is intended solely for the information and use of the Board of Directors, management, and the

Legislative Auditor.

A handwritten signature in cursive script, appearing to read "Blair".

Baton Rouge, Louisiana

October 9, 1998

Rec. Report
11-10-98
Hand deliv. J.S.

Serenity 67 Community Services Center

October 9, 1998

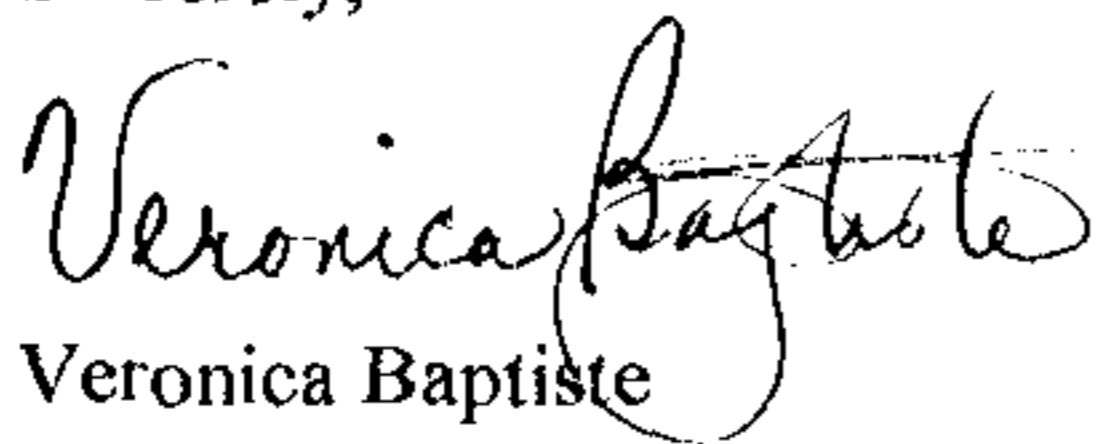
Daniel G. Kyle, CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

As the new Executive Director of the Serenity 67 Programs, I would like to respond to the comments made in the **Compliance with Contractual Requirements of Funding Sources** section, accompanying our 1997 Financial Report. I am, presently, setting up safeguards to comply with all of the requirements of our grantors. Specifically, the problem with our monthly reports, previously held up because of the Louisiana Employment Security Federal Credit Union, will be filed by the specified time. A separate bank account is in use for this grant and the commingling of funds has been addressed.

Should you have questions, feel free to contact my office at (225) 346-6920.

Sincerely,



Veronica Baptiste
Executive Director

1116 South 14th Street * Baton Rouge, La. 70802
(225) 346-6920 Fax (225) 346-6953