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UNITED CEREBRAL PALSY OF GREATER NEW ORLEANS, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

JUNE 30, 1998

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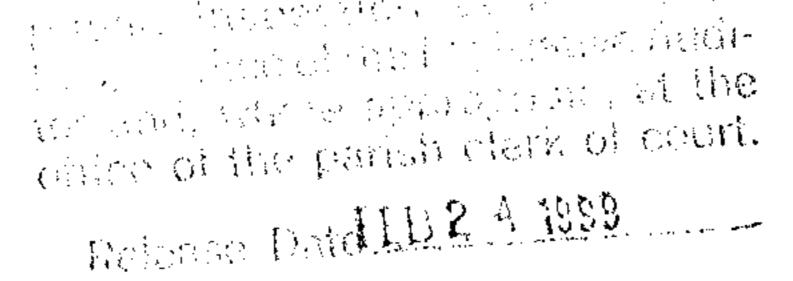


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INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS AND ACCOMPANYING SCHEDULES

To the Board of Directors of United Cerebral Palsy of Greater New Orleans, Inc. New Orleans, Louisiana

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We have audited the accompanying statements of financial position of United Cerebral Palsy of Greater New Orleans, Inc. (UCP) as of June 30, 1998 and 1997, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of UCP's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and <u>Government Auditing Standards</u>, 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, UCP's financial position as of June 30, 1998 and 1997, and the changes in its net assets and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with <u>Government Auditing Standards</u>, we have also issued reports dated September 1, 1998, on our consideration of UCP's internal control structure, and on UCP's compliance with laws and regulations.

Our audits were made for the purpose of forming an opinion on the basic financial statements of UCP taken as a whole. The accompanying schedule of income and expenses by program for the year ended June 30, 1998, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the 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.

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September 1, 1998 License Coulder 1, 1998 - Elice Povensisse + Briti Lloor + New Orleans, 1A 10163 + Telephone S01 Sol 0020 + Tax 501 Sol 0023

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UNITED CEREBRAL PALSY OF GREATER NEW ORLEANS, INC. STATEMENTS OF FINANCIAL POSITION

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JUNE 30, 1998 AND 1997

	1998	1997
ASSETS		
Cash and cash equivalents	\$ 256,827	\$ 299,040
Contract fees and grants receivable, less allowance		
for uncollectibles of \$14,274 and \$6,225 in 1998 and 1997, respectively	234,518	172,283
Certificates of deposit	172,544	74,439
Equipment and leasehold improvements, less		
accumulated depreciation and amortization	127,077	159,640
Prepaid pension costs	133,136	77,389
Other assets	26,260	15,793
Total assets	<u>\$_950,362</u>	<u>\$ 798.584</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 52,555	\$ 53,697
Accrued payroll	41,976	32,423
Accrued employee benefits	41,425	30,822
Notes payable	12,996	20.292
Total liabilities	148,952	137.234
Net assets:		
Unrestricted	795,347	652,520
Temporarily restricted	6,063	8,830
Total net assets	801.410	661,350
Total liabilities and net assets	<u>\$ 950,362</u>	<u>\$ 798,584</u>

The accompanying notes are an integral part of these financial statements. 2

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UNITED CEREBRAL PALSY OF GREATER NEW ORLEANS, INC. STATEMENT OF ACTIVITIES

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YEAR ENDED JUNE 30, 1998

	Unrestricted	Restricted	Total
REVENUES AND OTHER SUPPORT	0 1 (70.260		¢ 167036(
Program service fees	\$ 1,678,360		\$ 1,678,360
Government fees and grants	547,214	¢ 200.007	547,214
Allocation from United Way	20.000	\$ 388,907	388,907
Designations from United Way	20,969		20,969
Sales to public	231,487		231,487
Contributions in-kind	51,356		51,350
Contributions - corporate sponsors	48,467	1 000	48,467
Contributions - general public	20,007	1,028	21,035
Special events	50,372		50,372
Investment and other income	19,466		19,460
Net assets released from restrictions:			
Satisfaction of program restrictions	392,702	(392,702)	<u> </u>
Total revenues and other support	3,060,400	(2,767)	3,057,633
EXPENSES			
Program services:			
Adult Program	825,253		825,253
Children's Program	548,609		548,609
Sports Program	22,276		22,27
Supported Living Services	1,176,808		1,176,80
Total program services	2,572,946		2,572,94
Supporting services:			
Management and general	268,156		268,150
Fund raising	76,471		76,47
Total supporting services	344,627		344,62
Total expenses	2,917,573	 	2,917,57
CHANGE IN NET ASSETS	142,827	(2,767)	140,06
Net assets, beginning of period	652,520	8,830	661,35
Net assets, end of period	\$ 795,347	\$ 6,063	\$ 801,41

The accompanying notes are an integral part of these financial statements. 3

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UNITED CEREBRAL PALSY OF GREATER NEW ORLEANS, INC. STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 1997

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	Unrestricted	Restricted	Total
REVENUES AND OTHER SUPPORT	6 1 0 0 7 0 6 0		Ф. 1.007.050
Program service fees	\$ 1,337,350		\$ 1,337,350
Government fees and grants	497,297	A A70 A00	497,297
Allocation from United Way	10.005	\$ 370,098	370,098
Designations from United Way	19,305		19,305
Sales to public	216,032		216,032
Contributions in-kind	55,077		55,077
Contributions - corporate sponsors	21,594		21,594
Contributions - general public	31,039	3,336	34,375
Special events	47,076		47,076
Investment and other income	10,275		10,275
Net assets released from restrictions:			
Satisfaction of program restrictions	371,792	(371,792)	••
Total revenues and other support	2,606,837	1,642	2,608,479
EXPENSES			
Program services:			
Adult Program	786,707		786,707
Children's Program	412,900		412,900
Sports Program	11,760		11,760
Supported Living Services	911,865		911,865
Total program services	2,123,232		2,123,232
Supporting services:		Į	
Management and general	259,044		259,044
Fund raising	80,150		80,150
Total supporting services	339,194		339,194
Total expenses	2,462,426		2,462,42
CHANGE IN NET ASSETS	144,411	1,642	146,053
Net assets, beginning of period	508,109	7,188	515,293
Net assets, end of period	\$ 652,520	\$ 8,830	\$ 661,350

The accompanying notes are an integral part of these financial statements. 4

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PALSY OF GREATER NEW ORLEANS, INC. UNITED CEREBRAL

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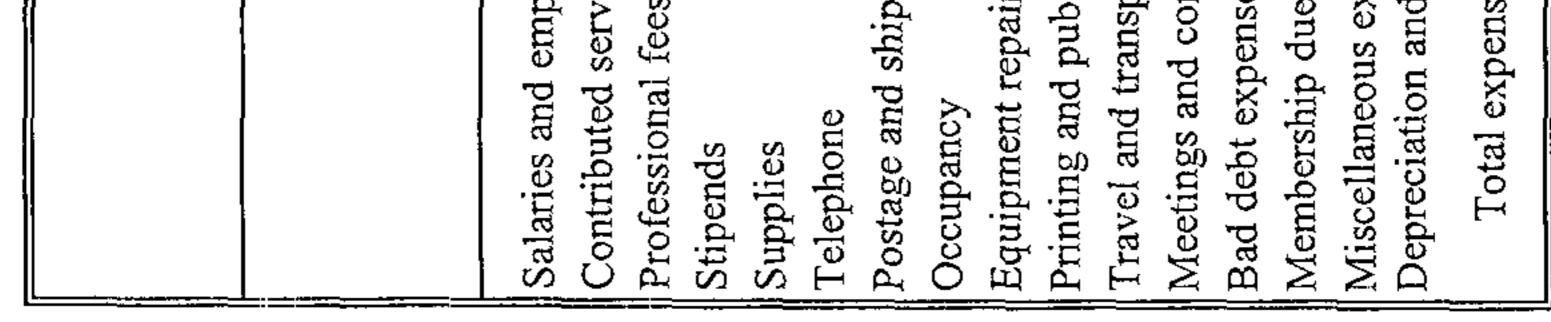
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	STATEN	IENT OF FU	NCTIONAL	STATEMENT OF FUNCTIONAL EXPENSES			
		YEAR ENDED	JUNE 30,	1998			
		Program	a Services		Supporting	Services	
	Adult Program	Children's Program	Sports Program	Supported Living Services	Management and General	Fund Raising	Total
mployee benefits	\$ 584,661	\$ 251,017	\$ 10,992	\$ 1,117,072	\$ 179,246	\$ 23,995	\$ 2,166,983
ervices and materials ees	1,517	49,958 97,026		3,608	13,631	15,754	03,/12 115,782
		28,327					28,327
	66,627	9,391	1,045	7,612	9,139	8,390	102,204
	6,440	2,015	47	5,503	2,836		16,841
nipping	609	1,964	235	763	3,152		6,723
	40,723	69,455		17,228	26,173		153,579
oairs and maintenance	2,629	1,673		1,756	2,095		8,153
ublications	749	(262)	(561)	(15)	(1,187)		(1,276)
nsportation	68,754	5,414	25	7,683	1,233		83,109
conferences	3,661	3,223	8,712	2,655	18,632		36,883
nse	2,470	14,410		5,843			22,723
lues & national sharing	473	45		215	680	30,332	31,745
s expense	4,686	6,786		2,988	7,202		21,662
and amortization	41,254	8,167	1,781	3,897	5,324		60,423
enses	\$ 825.253	<u>\$ 548.609</u>	\$ 22.276	<u>S 1.176.808</u>	<u>\$ 268.156</u>	<u>\$ 76.471</u>	<u>\$ 2.917.573</u>

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The accompanying notes are an integral part of these fi



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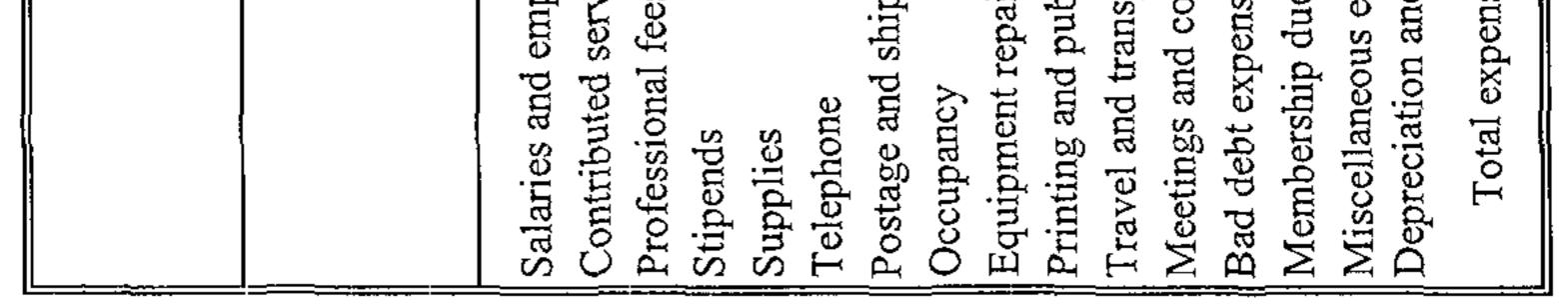
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	STATEM	ENT OF FU	NCTIONAL	STATEMENT OF FUNCTIONAL EXPENSES			
	Y	EAR ENDE	YEAR ENDED JUNE 30, 1997	1997			
		Program	a Services		Supporting	Services	
	Adult Program	Children's Program	Sports Program	Supported Living Services	Management and General	Fund Raising	Total
smployee benefits	\$ 538,387	S 203,069	\$ 7,134	S 858,188	\$ 173,758	S 21,650	\$ 1,802,186
ervices and materials		48,360				15,869	64,229
fees	928	45,297		5,777	12,498		64,500
		5,554					5,554
	74,114	7,293	857	9,149	12,069	8,823	112,305
	4,976	2,059	274	4,137	3,174		14,620
hipping	167	2,257	100	703	2,332		6,183
	43,133	69,501		17,296	23,322		153,252
pairs and maintenance	1,149	2,784		1,385	1,120		6,438
oublications	3,250	2,951	2,900	3,069	8,405		20,575
insportation	62,275	4,235		5,260	1,598		73,368
conferences	3,691	2,402	(1,272)	663	12,894		18,378
ense	9,353	1,802		2,704			13,859
dues & national sharing	519	114			750	33,808	35,191
s expense	4,362	8,552		242	3,979		17,135
and amortization	39,779	6,670	1,767	3,292	3,145		54,653
enses	\$ 786.707	<u>\$ 412.900</u>	<u>\$ 11.760</u>	<u>\$ 911,865</u>	<u>\$ 259.044</u>	<u>\$ 80.150</u>	<u>\$ 2.462.426</u>

UNITED CEREBRAL PALSY OF GREATER I

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

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UNITED CEREBRAL PALSY OF GREATER NEW ORLEANS, INC. STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 1998 AND 1997		
	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 140,060	\$ 146,05
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation and amortization	60,423	54,65
Non-cash income	(14,777)	(9,52
Changes in assets and liabilities:		
Contract fees and grants receivable	(62,235)	(48,10
Prepaid pension costs	(55,747)	(4,43
Other assets	1,224	6,52
Accounts payable	(1,142)	1
Accrued payroll	9,553	16,25
Accrued employee benefits	10,603	8.23
Net cash provided by operating activities	<u> </u>	- 201.30
CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturity of certificate of deposit	64,573	(12.0)
Purchase of certificates of deposit	(150,000)	
Proceeds from sale of equipment	(27 152)	20 (21.49
Purchase of equipment	(<u>37,452</u>)	
Net cash used in investing activities	_(122,879)	(34,49
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(7,296)	<u>(6.0(</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT		
Cash and cash equivalents, beginning of year	299.040	138,2
Cash and cash equivalents, end of year	<u>\$ 256,827</u>	<u>\$ 299,04</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid	<u>\$ 1,489</u>	<u>\$ 2,1</u>

The accompanying notes are an integral part of these financial statements. 7

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Founded in 1950, United Cerebral Palsy of Greater New Orleans, Inc. ("UCP") is a nonprofit organization providing programs and services to improve the quality of life for people with cerebral palsy and other disabilities, and also for their families, in several southern Louisiana parishes. UCP provides pediatric outpatient treatment; early intervention and special instruction; training in athletic development; job placement and support for adults with disabilities; and personal/respite care services and independent living in the home.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. Contributions are generally recorded only upon receipt, unless a pledge of contribution has been received and confirmed. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless restricted specifically by the donor.

UCP reports information regarding its financial position and activities according to three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. See Note 2 for a description of restrictions on UCP's net assets.

Donated Services

A number of physicians have made significant contributions of their time, primarily for the Children's program's clinical services. The value of this contributed time and the corresponding expenses for the years ended June 30, 1998 and 1997, were approximately \$48,360 for each year and are reflected in these financial statements as contributions in-kind and contributed services and materials. Clinic appointment schedules and average physician rates are used in valuing and recording these donated services.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Donated Property and Equipment

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Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support, unless the donor has restricted the donated asset to a specific purpose or for use for a specified period of time. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support.

Absent donor stipulations regarding how long those donated assets must be maintained, UCP reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. UCP reclassifies temporarily restricted net assets to unrestricted net assets at that time. If the donor has stipulated a time restriction, the expiration of this restriction is reported as the related asset is depreciated.

Allocation of Functional Expenses

Expenses are summarized on a functional basis. Salaries and related payroll expenses are distributed based upon the time spent for each function. Distribution of all other expenses is based upon management's estimates of the usage applicable to conducting various functional activities.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are recorded at cost. UCP capitalizes all expenditures for equipment in excess of \$400; the fair value of donated assets is similarly capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets (three to ten years). Leasehold improvements are amortized over the life of the lease.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, UCP considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

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 amount of 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 those estimates. UCP's estimates include those regarding the fair value of donations in-kind, the allowance for uncollectible receivables, and pension costs.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Concentrations

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UCP's financial instruments that are exposed to concentrations of credit risk consist primarily of cash on deposit at financial institutions, and money market mutual funds. UCP places its financial instruments with high credit quality banks in the Greater New Orleans area. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. Amounts on deposit in excess of insured limits were approximately \$225,000 and \$195,000 at June 30, 1998 and 1997, respectively. At June 30, 1998, UCP had approximately \$110,000 invested in a money market mutual fund.

A significant portion of UCP's revenue and receivables relate to government grants. Grants require the fulfillment of certain conditions as set forth in the grant instruments. UCP, by accepting the grants and their terms, has agreed to the conditions of the grantors. UCP intends to fulfill the condition of all grants, recognizing that failure to fulfill the conditions could result in the return of the funds to grantors.

Income Taxes

UCP is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and from state income taxes under Section 121 (5) of Title 47 of the Louisiana Revised Statutes of 1950; it is not a private foundation.

NOTE 2 -RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets were available for the following purposes at June 30:

Athletic development Sports program equipment	<u>1998</u> \$ 2,669 <u>3,394</u>	<u>1997</u> \$ 4,936 <u>3,894</u>
	<u>\$ 6,063</u>	<u>\$8,830</u>

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NOTE 3 - EQUIPMENT AND LEASEHOLD IMPROVEMENTS

At June 30, 1998 and 1997, equipment and leasehold improvements were comprised of the following:

	<u>1998</u>	<u>1997</u>
Transportation equipment	\$188,725	\$188,725
Office furniture and equipment	220,039	196,668
Leasehold improvements	<u>20,093</u>	<u>_15,602</u>
Less. Accumulated depresistion	428,857	400,995
Less: Accumulated depreciation and amortization	<u>(301,780)</u>	<u>(241,355)</u>
	<u>\$127,077</u>	<u>\$159,640</u>

NOTE 4 - LEASES

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UCP has two operating leases for the rental of office and workshop space. Minimum annual lease commitments under the non-cancelable operating leases as of June 30, 1998 were:

1999\$78,200200060,200

Rent expense was \$90,685 and \$93,283 for the years ended June 30, 1998 and 1997, respectively.

NOTE 5 - PENSION PLAN

UCP currently has two pension plans covering substantially all employees that have reached twenty-one years of age and one year of service. Effective April 1, 1998, UCP ceased funding its defined benefit pension plan and formed a new defined contribution plan covering employees of similar age and service requirements as the prior plan.

Assets of the former plan remain held in a trust fund managed by an insurance company. Investments are comprised of equity, fixed income and money market securities. The plan was noncontributory and provides pension benefits that are based on employees' credited service and compensation during the final years of employment. Additionally, the plan's benefit formula contains a provision for limited annual cost of living adjustments for retirees. Intentions are to dissolve the plan when optimal under current tax laws.

The newly formed qualified retirement plan entitles participants to contribute a portion of their compensation under a tax-deferred arrangement pursuant to section 401(k) of the Internal Revenue Code. The plan allows discretionary contributions to be made by the organization. UCP currently contributes to the plan an amount equal to 5% of all eligible employees' salaries in addition to a match equal to 100% of employee contributions up to 5% of their compensation. UCP's discretionary contributions to the plan were \$16,799 for fiscal 1998.

NOTE 5 - PENSION PLAN (cont'd)

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The following tables set forth the financial status of the defined benefit plan at June 30, 1998 and 1997:

	<u>1998</u>	<u>1997</u>
Accumulated benefit obligation:	\$476,909	\$331,850
Vested	<u>12,365</u>	<u>20,749</u>
Nonvested	<u>\$489,274</u>	<u>\$352,599</u>
Plan assets at fair value	\$999,100	\$830,120
Projected benefit obligation	<u>694,441</u>	_ <u>541,222</u>
Plan assets in excess of projected benefit obligation	304,659	288,898
Unamortized net asset from transition	(27,549)	(29,880)
Unrecognized gain	(200,617)	(243,081)
Unrecognized prior service costs	<u>56,643</u>	61,452
Prepaid pension cost	<u>\$133,136</u>	<u>\$ 77,389</u>

Net pension expense included the following components:

Service costs	\$ 67,666	\$ 80,306
Interest costs	38,043	39,737
Actual return on plan assets	(128,667)	(166,600)
Net amortization and deferral	<u>52,157</u>	<u> 111,920</u>
Net pension expense	<u>\$ 29,199</u>	<u>\$ 65,363</u>

Assumptions used in the accounting for net pension expense were:

Discount rate	7.5%	7.5%
Rate of increase in compensation levels	6.0%	6.0%
Long-term rate of return on assets	8.0%	8.0%

NOTE 6 - NATIONAL SUPPORT

UCP receives various types of support from its national organization. In turn, a portion of UCP's public support is paid to the national organization for purposes of fulfilling the organization's mission. Amounts paid to the national organization for the years ended June 30, 1998 and 1997 were \$30,332 and \$33,808, respectively.

NOTE 7 - NOTES PAYABLE

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As of June 30, 1998 and 1997, UCP had a note payable to a local bank, due in monthly installments. The note bears interest at 8.65%, matures in April, 2000, and is collateralized by a vchicle with a net book value of \$11,427. Maturities of UCP's note payable are as follows:

Years Ended June 30

1999	\$ 7,225
2000	<u>5,771</u>
	<u>\$12,996</u>

NOTE 8 - THIRD-PARTY REIMBURSEMENTS

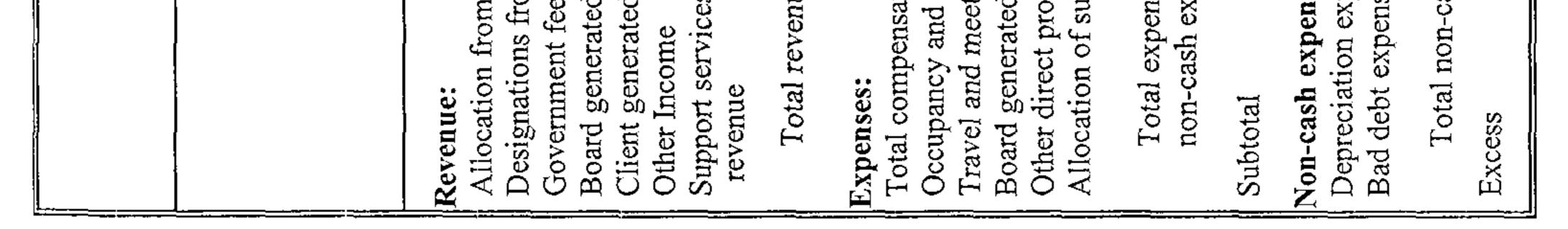
UCP's Supported Living Services program is entirely funded through a third party reimbursement arrangement under the MR/DD (Mentally Retarded/Developmentally Disabled) Waiver Program. This program is a Medicaid Home and Community Based Services Waiver providing alternative services instead of institutional care to persons who are mentally retarded or have other developmental disabilities. In addition, UCP receives a portion of funding for the Children's and Adult programs from Medicaid reimbursement.

UCP is reimbursed at pre-approved rates for each unit of service provided to consumers. Funds received are included in program service fees. Medicaid accounts for approximately 48% and 45% of UCP's total support and revenue for fiscal 1998 and 1997, respectively. In addition, approximately 46% and 45% of UCP's net contract fees and grants receivable at June 30, 1998 and 1997, respectively, are comprised of Medicaid receivables.

Þ	UNITED CEREB SCHEDULE	RAL PA OF INCO YEAR	OF GRE AND EX DED JUN	ATER NEW PENSES BY E 30, 1998	ORLEANS, INC. PROGRAM		
		Program	Services		Supporting	g Services	
	∆ dult	Children's	Snorts	Supported	Fund Raising and Management	Administrative	
	Program	Program	Program	Services	and General	Restricted	Total
om United Way from Hnited Way	\$ 95,080	\$ 286,539	\$ 7,288		59006		\$ 388,907 70.969
fees and grants ted self-support ted self-support	348,104 348,104 846 469,650	193,353 67,961 101,957	320 368	\$ 5,757 1,337,206	*	\$ 1,028	547,214 547,214 172,076 1,909,866
ces allocated	71,123	31,295	39,822		10,001 (142,240)		Š
enue	984,803	681,105	47,798	1,342,963	(64)	1,028	3,057,633
isation	584,661	251,017	10,992	1,117,072	203,241		6,98
nd related expenses eetings	43,352 72,415	71,128 8,637	5,442	18,984 10,338	28,268 19,865		161,73
ted self-support program expenses support services	81,101 102,497	49,958 145,292 85,415	766 17,154	20,674 136,662	22,144 65,785 (341,728)	3,295	75,397 313,618
enses before expenses	884,026	611,447	34,354	1,303,730	(2,425)	3,295	2,834,427
	100,777	69,658	13,444	39,233	2,361	(2,267)	223,206
ense: expense ense	41,254 2,470	8,167 14,410	1,781	3,897 5,843	5,324		60,423 22,723
i-cash expenses	43.724	22.577	1.781	9.740	5.324		83.146
	<u>\$ 57,053</u>	<u>\$ 47.081</u>	<u>S 11.663</u>	<u>\$ 29.493</u>	\$ (2.963)	<u>S (2.267)</u>	<u>\$ 140.060</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT</u> AUDITING STANDARDS

To the Board of Directors of United Cerebral Palsy of Greater New Orleans, Inc. New Orleans, Louisiana

We have audited the financial statements of United Cerebral Palsy of Greater New Orleans, Inc. ("UCP") as of and for the year ended June 30, 1998, and have issued our report thereon dated September 1, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States.

Compliance

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As part of obtaining reasonable assurance about whether UCP'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 <u>Government Auditing Standards</u>.

Internal Control Over Financial Reporting

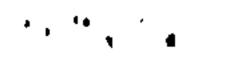
In planning and performing our audit, we considered UCP's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the 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.

Frequencies (10.19) Poydras St. + 3 (h Poor + New Orleans, 14 10103) + Telephone 50 (561 0020) + 1 (x 504 561 0023) Member American Institute of Certified Public Accountants

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This report is intended for the information of the finance committee, management, and applicable legislative or regulatory bodies. However, this report is a matter of public record and its distribution is not limited.

Legier & Materne, apac

September 1, 1998

United Cerebral Palsy of Greater New Orleans, Inc. Schedule of Findings and Questioned Costs For the Year Ended June 30, 1998

We have audited the financial statements of United Cerebral Palsy of Greater New Orleans, Inc. as of and for the year ended June 30, 1998, and have issued our report thereon dated September 1, 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. Our audit of the financial statements as of June 30, 1998 resulted in an unqualified opinion.

Section I - Summary of Auditors' Results

Financial Statements

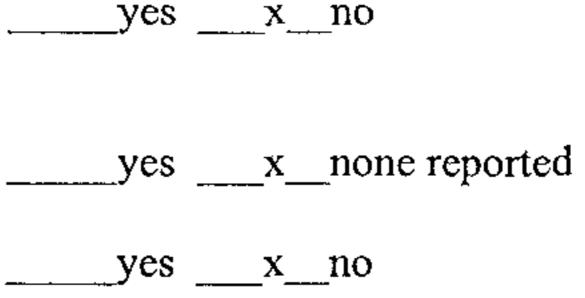
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Internal control over financial reporting:

• Material weakness(es) identified?

Reportable condition(s) identified that are not considered to be material weaknesses?

Noncompliance material to financial statements noted?



Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Reportable condition(s) identified that are not considered to be material weakness(es)?

yes x no

yes x none reported

Type of auditors' report issued on compliance for major programs: Unqualified Any audit findings disclosed that are required to be reported in accordance

yes x no

Identification of major programs:

with section 510(a) of Circular A-133?

CFDA Number(s)	
93.915	

Name of Federal Program or Cluster HIV Emergency Relief Formula Grants

Dollar threshold used to distinguish Between type A and type B programs: Auditee qualified as low-risk auditee?

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\$300,000

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Y	Vec	no



Section II – Financial Statement Findings

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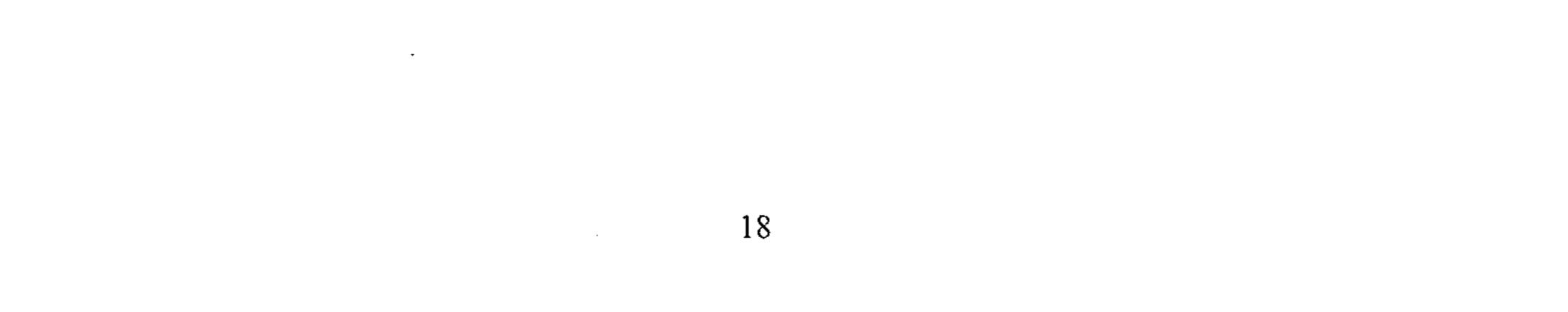
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No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.



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REPORT TO MANAGEMENT

JUNE 30, 1998

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September 1, 1998

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To the Board of Directors of United Cerebral Palsy of Greater New Orleans, Inc. New Orleans, Louisiana

In planning and performing our audit of the financial statements of United Cerebral Palsy of Greater New Orleans, Inc. ("UCP") for the year ended June 30, 1998, we considered UCP's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

As a result of this consideration, we developed the following observations and recommendations

concerning certain internal control structure and other operational matters that are designed to help UCP make improvements and achieve operational efficiencies. Our comments reflect our desire to be of continuing assistance to UCP. The attached Exhibit represents a summary schedule of prior year findings and their current status. Our current year comments are summarized as follows:

APPROVAL OF SUPPORTING DOCUMENTATION

Observation 98-1

During our compliance testing, we noted that a consumer attendance schedule utilized to prepare an Adult Program monthly invoice bore no evidence of approval.

Recommendation

Program directors or other responsible UCP personnel should approve consumer attendance records. Although the lack of documented approval noted above did not result in UCP obtaining more funding than it should have, the importance of proper approval of supporting documentation, in order to ensure adequate controls over compliance, should be re-emphasized to UCP personnel.

Management's Response

Management agrees with the recommendation and will comply with future invoices. However, it

should be noted, that the attendance is an internal record shared between departments that does

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United Cerebral Palsy of Greater New Orleans, Inc. Page 2

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not accompany the invoice. It is compiled from the daily attendance records that are kept within the applicable department.

It should be understood that our comments deal exclusively with operational matters, and should not be regarded as reflecting on the integrity or the capabilities of anyone in your organization. It should be further recognized that our comments have been restricted to suggested improvements, and are not intended as a commentary on the various favorable aspects of UCP's procedures and controls.

We appreciate the cooperation we have received from UCP personnel and the opportunity to have been of service to you and UCP. This report is intended solely for the information and use of the Board of Directors, management, and others within UCP. In the event you have any questions or require additional information with respect to matters discussed in the accompanying report, please do not hesitate to contact us.

Very truly yours,

Legier & Materne, apac

United Cerebral Palsy of Greater New Orleans, Inc. Page 3

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Exhibit

United Cerebral Palsy of Greater New Orleans, Inc. **Summary Schedule of Prior Year Findings** June 30, 1998

Management Letter Comments

Observation 97-1

Documentation maintained on one Adult program consumer selected for compliance testing reflected a complexity level that did not agree to the level used in billing the grantor.

Corrective Action

Corrective action was taken.

Observation 97-2

UCP maintains a substantial amount of cash in depository accounts that do not earn interest.

Corrective Action

During fiscal 1998, measures were implemented to minimize non-earning funds.

Observation 97-3

Internal financial statements for special events classify expenses according to the individual event, instead of by natural expense classifications. Although supporting schedules are maintained detailing expenses for each event, these amounts do not agree to totals per the general ledger.

Corrective Action

Corrective action was taken.