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**LAKE PONTCHARTRAIN
BASIN FOUNDATION**

FINANCIAL REPORT

December 31, 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 JUL 9 1999

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REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

A PROFESSIONAL CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Lake Pontchartrain Basin Foundation
Metairie, Louisiana

We have audited the statement of financial position of **Lake Pontchartrain Basin Foundation** ("**LPBF**") (a nonprofit organization) as of December 31, 1998, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the **LPBF**'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 statements 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 **LPBF** as of December 31, 1998, 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 *Government Auditing Standards*, we have also issued our report dated February 5, 1999, on our consideration of **LPBF**'s 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 LPBF taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the accompanying financial information in Schedules I through VI is presented for purposes of additional information. 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.

The year 2000 supplementary information on page 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that LPBF is or will become year 2000 compliant, that LPBF's year 2000 remediation efforts will be successful in whole or in part, or that parties with which LPBF does business are or will become year 2000 compliant.

Rebowe & Company

February 5, 1999

FINANCIAL STATEMENTS

LAKE PONTCHARTRAIN BASIN FOUNDATION
STATEMENT OF FINANCIAL POSITION
December 31, 1998

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 473,988
Restricted cash for program expenditures	118,921
Investments	115,589
Grant receivable	44,215
Accrued interest receivable	<u>8,124</u>
 Total Current Assets	 <u>760,837</u>

OTHER ASSETS

Office furniture and equipment, net	63,988
Deposits	<u>1,575</u>
 Total Other Assets	 <u>65,563</u>
 Total Assets	 <u>\$ 826,400</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$ 72,788
Deferred Revenue	<u>7,952</u>
 Total Liabilities	 <u>80,740</u>

NET ASSETS

Unrestricted	734,163
Temporarily Restricted - Other	8,997
Permanently Restricted - Endowment Fund	<u>2,500</u>
 Total Net Assets	 <u>745,660</u>
 Total Liabilities and Net Assets	 <u>\$ 826,400</u>

See accompanying notes to financial statements.

LAKE PONTCHARTRAIN BASIN FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 1998

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT, REVENUES AND RECLASSIFICATIONS				
Donations	\$ 24,255	\$ -	\$ -	\$ 24,255
Donated Services	4,529	192,692	-	197,221
Donated Use of Office Space	24,288	-	-	24,288
Fund Raising Events	250,383	-	-	250,383
Grants:				
EPA - Johnston Basin Cleanup	-	1,531,422	-	1,531,422
Other - Restricted	-	101,112	-	101,112
Program Reimbursement	-	700	-	700
Investment Return	28,354	-	-	28,354
Membership Sales	23,835	-	-	23,835
Merchandise Sales	612	-	-	612
Net Assets Released from Restrictions	<u>1,818,270</u>	<u>(1,818,270)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>2,174,526</u>	<u>7,656</u>	<u>-</u>	<u>2,182,182</u>
EXPENSES				
Program Services:				
Environmental Education	200,706	-	-	200,706
Scientific and Field Research	<u>1,329,356</u>	<u>-</u>	<u>-</u>	<u>1,329,356</u>
Total Program Services	<u>1,530,062</u>	<u>-</u>	<u>-</u>	<u>1,530,062</u>
Support Services:				
Fund Raising	121,439	-	-	121,439
Management and General	418,322	-	-	418,322
Membership Promotion	<u>2,297</u>	<u>-</u>	<u>-</u>	<u>2,297</u>
Total Support Services	<u>542,058</u>	<u>-</u>	<u>-</u>	<u>542,058</u>
Total Expenses	<u>2,072,120</u>	<u>-</u>	<u>-</u>	<u>2,072,120</u>
TRANSFER TO ENDOWMENT FUND	<u>59,476</u>	<u>-</u>	<u>-</u>	<u>59,476</u>
TOTAL EXPENSES AND TRANSFERS	<u>2,131,596</u>	<u>-</u>	<u>-</u>	<u>2,131,596</u>
INCREASE IN NET ASSETS	42,930	7,656	-	50,586
NET ASSETS, BEGINNING OF YEAR	<u>690,437</u>	<u>2,137</u>	<u>2,500</u>	<u>695,074</u>
NET ASSETS, END OF YEAR	<u>\$ 733,367</u>	<u>\$ 9,793</u>	<u>\$ 2,500</u>	<u>\$ 745,660</u>

See accompanying notes to financial statements.

LAKE PONTCHARTRAIN BASIN FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 1998

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in Net Assets	\$ 50,586
Adjustments to Reconcile Increase in Net Assets	
To Net Cash Provided by Operating Activities:	
Depreciation	15,354
Unrealized Gain on Investments	(906)
Gain on Sale of Investments	771
(Increase) in Accrued Interest Receivable	(7,731)
Decrease in Prepaid Assets	37,671
Decrease in Prepaid Assets	5,853
Decrease in Accounts Payable	(51,195)
Decrease in Accrued Liabilities	(1,094)
Decrease in Deferred Revenue	<u>(29,378)</u>
Cash Flows Provided by Operating Activities	<u>19,931</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales of Investments	103,427
Purchase of Office Furniture and Equipment	<u>(43,527)</u>
Cash Flows Provided by Investing Activities	<u>59,900</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	79,831
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>394,157</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 473,988</u></u>
SUPPLEMENTAL INFORMATION	
Cash Paid During the Year for:	
Interest	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

LAKE PONTCHARTRAIN BASIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Lake Pontchartrain Basin Foundation, (the "Foundation") is a non-profit, publicly supported organization exempt from income taxes under Section 501)(c)(3) of the U.S. Internal Revenue Code. It was established and incorporated September 19, 1989 by Act 716 of the 1989 Louisiana Legislature and pursuant to the Nonprofit Corporation Law of the State of Louisiana for the purpose of the restoration and preservation of the environmental and ecological balance of the Lake Pontchartrain Basin.

The Foundation has established goals of attaining all water quality standards of Lake Pontchartrain and its major tributaries, and the protection and restoration of the Lake Pontchartrain Basin's natural resources. The Foundation will assist and coordinate efforts with federal, state and parish agencies to clean up and restore Lake Pontchartrain. The Foundation will also undertake programs and fund research in areas such as municipal runoff, sewage systems, industrial discharge, agricultural discharge, saltwater intrusion, erosion and restoration.

BASIS OF PRESENTATION

Financial statement presentation 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.

PUBLIC SUPPORT, REVENUE AND PLEDGES

In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions are recorded as restricted if they are received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted.

All contributions are considered available for unrestricted use unless specially restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net assets classes.

LAKE PONTCHARTAIN BASIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other sources of revenue include grants, contracts, sales of merchandise and fund raising events.

During 1998, \$101,112 was received as grants for the temporarily restricted purpose of sponsoring environmental programs. Expenditures of \$102,208 were incurred for these programs during 1998, which includes \$1,096 received as temporarily restricted funds in 1997.

OFFICE FURNITURE AND EQUIPMENT

The Foundation capitalizes office furniture and equipment at cost, or if donated, at fair market value at the time of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the furniture and equipment, which range from 3 to 10 years.

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 activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

DEFERRED REVENUE

Deferred revenue results from grants which are restricted for specific purposes. Grant revenue is recognized only to the extent that related expenses have been incurred.

COMPENSATED ABSENCES

The Foundation has not accrued compensation absences such as vacation and sick leave. The amounts are estimated to be immaterial to the financial statements, taken as a whole.

USE OF 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.

LAKE PONTCHARTAIN BASIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 1998

ACCOUNTING FOR FINANCIAL INSTRUMENTS

In 1996, the Foundation adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair market values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets.

NOTE B - DONATED SERVICES AND OFFICE SPACE

The value of donated services by volunteers is not reflected in the accompanying financial statements because they do not meet the criteria necessary to be recorded under the Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made." SFAS No. 116 requires donated services to be recorded only if the recipient organization would have to purchase such services to maintain its operations or accomplish its mission. Although the time contributed by volunteers is not recorded in the accompanying financial statements, it should be noted that a substantial number of volunteers have donated significant amounts of their time to the Foundation's fund raising events.

The Foundation also receives various donated professional services, facilities, and materials, including the match portion of the federal grants, which are recorded in the accompanying financial statements as donated services because they enhance financial assets, require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Those considered most significant include free use of a portion of its office facilities, parking and utilities. The rental value of these facilities, in the amount of \$24,288 for 1998, has been reflected in the accompanying financial statements as support and revenue with a like amount included in supporting services as management and general expenses. Likewise, \$192,692 was recognized in 1998 as the match portion of the federal grant.

The Foundation participates in a fundraising program through Volunteers of America (VOA), whereby the public may donate boats or automobiles to VOA, in the name of the Foundation. Proceeds from the sale of the donated merchandise are divided between VOA and the Foundation. The Foundation receives seventy percent of the sales price less a \$50 handling fee, which VOA retains as a handling fee for acting as the agent who gets the merchandise from the donor and sells it. In 1998, the Foundation did not receive any revenues through this program.

**LAKE PONTCHARTAIN BASIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 1998**

NOTE C – OFFICE FURNITURE AND EQUIPMENT

Office furniture and equipment, at cost, and related accumulated depreciation at December 31, 1998 are summarized as follows:

Computer Equipment	\$ 39,083
Furniture and Fixtures	17,801
Boat and Other Program Equipment	<u>64,613</u>
	121,497
Less: Accumulated Depreciation	<u>57,509</u>
	<u>\$ 63,988</u>

Depreciation expense for 1998 was \$15,354, respectively.

NOTE D – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Back to the Beach	\$ 252
Turtle Cove Teacher Workshops	1,838
Clean Enough Convention	-
Coalition to Restore Urban Water	1,419
REEF	5,000
Swamp Sweep	<u>1,284</u>
	<u>\$ 9,793</u>

NOTE E – RESTRICTED ASSETS

EPA Grant

In accordance with the EPA grant agreements, the Foundation is required to maintain separate checking accounts for which the use is restricted to the purpose of the grants.

Lake Pontchartrain Basin Foundation Endowment Fund

Investments include \$2,500 which represents the permanently restricted portion of the endowment fund investment account. The remaining \$1,487 of the endowment fund at December 31, 1998, which represents accumulated income, is classified as unrestricted.

LAKE PONTCHARTAIN BASIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 1998

NOTE E – RESTRICTED ASSETS (CONTINUED)

Save Our Lake Endowment

The Save Our Lake Endowment Trust was created on January 20, 1998 as a 501(c)(3) organization. The purposes of the Trust are the restoration and preservation of the environmental and ecological balance of the Lake Pontchartrain Basin. In furtherance of these purposes, the Trust will promote the establishment, management and growth of the Endowment Fund for the exclusive benefit of the Lake Pontchartrain Basin Foundation. All activities of the Trust, as well as Lake Pontchartrain Basin Foundation, are engaged in exclusively for purposes described in Section 501(c)(3) and Section 170(c)(2)(B) of the Internal Revenue Code and the regulations issued thereunder. The Trustees may, within their sole discretion, retain all or part of any of the Trust income for the purpose of investment in the Endowment Fund or may distribute the income to the Lake Pontchartrain Basin Foundation. The Trust principal and interest was reflected in the interim 1998 financial statements of the Foundation. At December 31, 1998, the Trust income and principal was shown as a transfer to the Save Our Lake Endowment since the Trust is maintained as a 501(c)(3) organization separate from the Foundation.

NOTE F – LEASE COMMITMENT

The Foundation occupies office space under an operating lease which expires September 30, 1999. In addition, the Foundation has an operating lease in regards to a copier, which will expire September 30, 2003. The future minimum payments are:

	<u>Copier</u>	<u>Building & Storage</u>	<u>Total Commitment</u>
1999	\$ 2,520	\$ 18,900	\$ 21,420
2000	2,520	-	2,520
2001	2,520	-	2,520
2002	2,520	-	2,520
2003	<u>1,890</u>	<u>-</u>	<u>1,890</u>
	<u>\$ 11,970</u>	<u>\$ 18,900</u>	<u>\$ 30,870</u>

Rent expense was \$30,616 for the year ended December 31, 1998.

NOTE G – PENSION PLAN

The Foundation has a 403b pension plan in effect at December 31, 1998. The plan does not receive contributions from the Foundation. It receives contributions solely from the employee by means of a payroll deduction.

**LAKE PONTCHARTAIN BASIN FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 1998**

NOTE H – INDIRECT COST

Included in the EPA grant revenue is the indirect cost allocation. The amount of indirect costs reimbursed included in the 1998 revenue is \$79,681.

NOTE I – INVESTMENTS

As required by SFAS 124, investments are recorded at fair value and consist of the following as of December 31, 1998:

Mutual Fund	\$ <u>115,589</u>
Total Investments	\$ <u>115,589</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 1998:

Interest Income	\$ 24,580
Dividend Income	3,045
Realized Loss	(177)
Unrealized Gain	<u>906</u>
Total Investment Return	\$ <u>28,354</u>

NOTE J – CONCENTRATION OF RISK

The Foundation has a concentration in the volume of business transacted with the Environmental Protection Agency (EPA). The majority of the Foundation's support is received from EPA grants. In 1998, 70% of total support and revenue was derived from EPA grants.

In addition, the Foundation has significant risk regarding its cash deposits in excess of federally insured limits. The foundation has the following amounts which are in excess of the insured limit of \$100,000:

First National Bank	\$ 18,921
Money Market Fund	\$ 190,117

The foundation classifies instruments with an original maturity of three months or less as cash equivalents.

SUPPLEMENTARY INFORMATION

LAKE PONTCHARTAIN BASIN FOUNDATION
YEAR 2000 DISCLOSURES (UNAUDITED)
For the Year Ended December 31, 1998

The Year 2000 Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect LPBF's operations as early as the year 1999.

LPBF has completed the awareness and assessment stages in addressing its year 2000 compliance status. LPBF purchased new hardware and software during 1998, which was represented as being year 2000 compliant by the vendors involved. Moreover, the Foundation's financial reporting system has undergone significant modifications by consultants in order to facilitate year 2000 compliance. All modifications to the remaining modules are expected to be completed by July 1999. These developments have occurred due to management's desire to upgrade the financial reporting system, along with the Foundation's other computer and related software programs, in order to improve the efficiency and effectiveness of employees and staff. Moreover, while these efforts have contributed to obtaining year 2000 compliance, the recent purchases were made primarily to update the data processing capabilities of the Foundation. Consequently, it is unknown as of to what effects, if any, failing to complete the remediation and validation/testing stages will have upon the Foundation's operations and financial reporting.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Foundation is or will be year 2000 ready, that the Foundation's remediation efforts will be successful in whole or in part, or that parties with whom the Foundation does business will be year 2000 ready.

**LAKE PONTCHARTRAIN BASIN FOUNDATION
SCHEDULES INFORMATION
STATEMENTS OF FUNCTIONAL EXPENSE**

**SCHEDULE I
ENVIRONMENTAL EDUCATION EXPENSES
For the Year Ended December 31, 1998**

Education Expenditures:	
Educational Packet and Video	\$ 8,478
Turtle Cove Expenditures	1,096
Event Related Expenses	3,000
Newsletter	3,070
Bookcovers	5,000
Environmental Issues	1,033
Education Support	425
Seminars and Conferences:	
Coalition to Restore Urban Water	89,612
Clean Enough	6,500
General Seminars and Conferences	389
Awards	351
Pontchartrain Symposium	500
Grass Roots	915
Wetmaap #30	18,750
Bayou St. John #34	23,594
The Green Project #35	10,545
Adult Fieldtrips	4,806
Habitat Poster	<u>22,642</u>
 Total	 <u>\$ 200,706</u>

**LAKE PONTCHARTRAIN BASIN FOUNDATION
SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNCTIONAL EXPENSE**

**SCHEDULE II
SCIENTIFIC AND FIELD RESEARCH EXPENSES
For the Year Ended December 31, 1998**

Lagoon Construction	\$ 243,289
South Shore Water Quality	127,059
Educational Outreach Activities	88,517
Circuit Rider	78,821
T.R.E.E. #16	64,101
No Till Drill #33	49,929
Spillway Nutrients and Phytoplankton #20	43,752
Program Manager	39,562
Wetland Field Trips #28	45,498
Education Director	40,107
Northshore SAV Evaluation	36,599
Sedimentation Project #7	33,656
Executive Director	32,416
Program Director	29,563
Boat Yard #25	27,892
Environmental Director	24,800
Septic Systems #21	24,691
Educational Assistant	24,150
Rent	22,403
Project/Program Assistant	20,933
Aerial Mapping – Sediment Chemistry	20,160
Payroll Taxes	19,723
Northshore Beach	17,558
Tangipahoa Parish Project	15,400
Depreciation	15,354
Spillway Opening – Zebra Mussels #22	14,840
Program Office Manager	14,155
Lake Pontchartrain Spatial Information Management System #27	13,711
Group Insurance	12,122
Telephone	11,132
Administrative Assistant	9,832
Tangipahoa Parish #4	8,581
Wastewater Infrastructure Improvement -- St. Tammany and Tangipahoa	6,600
Lake Monitoring	6,120
Automobile Mileage Reimbursement	5,785
General Travel Expense	4,164

(Continued)

**LAKE PONTCHARTRAIN BASIN FOUNDATION
SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNCTIONAL EXPENSE (CONTINUED)**

**SCHEDULE II (CONTINUED)
SCIENTIFIC AND FIELD RESEARCH EXPENSES
For the Year Ended December 31, 1998**

Accounting	\$ 3,905
Project Assistant	3,870
Miscellaneous Supplies	3,326
Model of Wetlands #15	2,547
Office Supplies	2,502
Postage	2,231
Boat Expenses	1,991
Project Intern	1,772
Miscellaneous	1,740
Airfare	1,661
Workman's Compensation Insurance	1,528
Seminars and Conferences	1,503
Insurance - General	1,463
Equipment Supplies	1,276
Printing	1,248
Basin Exchange	1,274
Other Professional Services	762
Taxes and Licenses	733
Copier Maintenance	691
GIS Data	155
Staff Educational Resources	154
Office Supplies	<u>49</u>
Total	<u>\$ 1,329,356</u>

**LAKE PONTCHARTRAIN BASIN FOUNDATION
SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNCTIONAL EXPENSES**

**SCHEDULE III
FUND RAISING EXPENSES
For the Year Ended December 31, 1998**

Back to the Beach	\$ 92,607
Golf Tournament	10,805
Development Consultant	7,200
Fourth of July	4,364
Rodeo	4,012
Awards	668
Laketown	481
Postage	309
Fundraising Seminars	290
Subscriptions	220
T-Shirt Sales	187
Printing	107
Other	99
Poster Sales	<u>90</u>
Total	<u>\$ 121,439</u>

**LAKE PONTCHARTRAIN BASIN FOUNDATION
SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNCTIONAL EXPENSES**

**SCHEDULE IV
MANAGEMENT AND GENERAL EXPENSES
For the Year Ended December 31, 1998**

Donated Services	\$ 197,221
Office Manager	31,067
Executive Director	26,522
Environmental Director	24,799
Donated Use of Office Facilities	24,288
Event Coordinator	21,233
Executive Assistant	11,180
Telephone	9,756
Payroll Taxes	8,592
Rent	8,213
Administrative Assistant	5,429
Group Insurance	5,320
Van Expenses/Insurance	4,627
Postage and Federal Express	3,169
General Insurance	3,696
Other Professional Services	2,736
Other Compensation	2,604
Miscellaneous Office	2,524
Director Insurance	2,375
Office Supplies	2,286
Auto Mileage	2,267
Auditing	2,108
Rent	2,066
Computer Maintenance	2,035
Copier Maintenance	2,050
Accounting	1,516
Parking	1,000
Endowment	972
Workman's Compensation Insurance	744
Entertainment	855
General Counsel	740
Membership Dues	730
Subscriptions and Dues	628
Staff Educational Resources	593
Printing	530
Meeting Room	510
Travel	448
Airfare	378
Licenses and Taxes	325
Bank Charges	<u>200</u>
Total	<u>\$ 418,322</u>

**LAKE PONTCHARTRAIN BASIN FOUNDATION
SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNCTIONAL EXPENSES**

**SCHEDULE V
MEMBERSHIP PROMOTION EXPENSES
For the Year Ended December 31, 1998**

Membership Dues	\$ 285
Membership Expenses	1,279
Printing and Postage	<u>733</u>
Total	<u>\$ 2,297</u>

**LAKE PONTCHARTRAIN BASIN FOUNDATION
SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNCTIONAL EXPENSES**

**SCHEDULE VI
BUDGET TO ACTUAL COMPARISON
For the Year Ended December 31, 1998**

	<u>Actual</u>	<u>Budget (Unaudited)</u>	<u>Favorable (Unfavorable)</u>
SUPPORT AND REVENUE			
Donations	\$ 24,255	\$ 40,000	\$ (15,745)
Donated Services	197,221	-	197,221
Donated Use of Office Space	24,288	-	24,288
Fund Raising Events	250,383	207,000	43,383
Grants:			
EPA – Johnston Basin Cleanup	1,531,422	508,000	1,023,422
Other – Restricted	101,112	178,000	(76,888)
Program Reimbursement	700	-	700
Investment Return	28,354	-	28,354
Memberships	23,835	25,000	(1,165)
Merchandise Sales	<u>612</u>	<u>-</u>	<u>612</u>
Total Support and Revenue	<u>2,182,182</u>	<u>958,000</u>	<u>1,224,182</u>
EXPENSES			
Program Services:			
Environmental Education	200,706	232,000	31,294
Scientific and Field Research	<u>1,329,356</u>	<u>508,181</u>	<u>(821,175)</u>
Total Program Services	<u>1,530,062</u>	<u>740,181</u>	<u>(789,881)</u>
Supporting Services:			
Fund Raising	121,439	3,000	(118,439)
Management and General	418,322	222,500	(195,822)
Membership Promotion	<u>2,297</u>	<u>5,000</u>	<u>2,703</u>
Total Supporting Services	<u>542,058</u>	<u>230,500</u>	<u>(311,558)</u>
Total Expenses	<u>2,072,120</u>	<u>970,681</u>	<u>(1,101,439)</u>
CHANGES IN NET ASSETS BEFORE TRANSFER	110,062	\$ (12,681)	\$ 122,743
TRANSFER TO ENDOWMENT FUND	<u>(59,476)</u>	<u>-</u>	<u>(59,476)</u>
CHANGES IN NET ASSETS	<u>\$ 50,586</u>	<u>\$ (12,681)</u>	<u>\$ 63,267</u>

OMB CIRCULAR A-133 SECTION

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CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

A PROFESSIONAL CORPORATION

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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 *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Lake Pontchartrain Basin Foundation

We have audited the financial statements of **Lake Pontchartrain Basin Foundation (“LPBF”)** (a nonprofit organization) as of and for the year ended December 31, 1998, and have issued our report thereon dated February 5, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether **LPBF’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 statements 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 *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **LPBF’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 would not necessarily disclose all matters in 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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of LPBF in a separate letter dated February 5, 1999.

This report is intended solely for the information and use of the Audit Committee, Board of Directors, management, the Bureau of the Census, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rebowe & Company

February 5, 1999

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Lake Pontchartrain Basin Foundation

Compliance

We have audited the compliance of **Lake Pontchartrain Basin Foundation** (“**LPBF**”) (a nonprofit organization) with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 1998. **LPBF**’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **LPBF**’s management. Our responsibility is to express an opinion on **LPBF**’s compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **LPBF**’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **LPBF**’s compliance with those requirements.

In our opinion, **LPBF** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1998.

Internal Control Over Compliance

The management of LPBF is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered LPBF's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Audit Committee, Board of Directors, management, the Bureau of the Census, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rebowe & Company

February 5, 1999

**LAKE PONTCHARTRAIN BASIN FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 1998**

Federal CFDA Number	Grant Number	Grant Period		Total Grant Award	1998		1998 Donated Revenue Recognized	1998 Expenditures To Date	Total Expenditures To Date
		From	Through		Federal Revenue Recognized	Expenditures			
United States									
Environmental									
Protection Agency									
	66.606	X996097-01-0	5/01/93	9/30/99	\$3,800,000*	\$1,161,286**	\$146,119***	\$1,161,286	\$3,800,000
	66.606	X996097-01-0	5/01/93	9/30/00	1,900,000*	370,136**	46,572***	370,136	370,136
	66.606	X996097-01-0	5/01/93	9/30/01	1,000,000*	-	-	-	-
Totals					\$6,700,000	\$1,531,422	\$192,691	\$1,531,422	\$4,170,136

*Major Program

**Prepared on accrual basis.

***Donated revenue recognized represents match portion as well.

**LAKE PONTCHARTRAIN BASIN FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 1998**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified on the financial statements of LPBF.
2. No material weaknesses relating to the audit of the financial statements of LPBF were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of LPBF were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal award program are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for LPBF expresses an unqualified opinion.
6. Audit findings relative to the major federal award program for LPBF are reported in Part C of this Schedule.
7. The programs tested as major programs included:

<u>Program</u>	<u>CFDA No.</u>
Johnston Basin Cleanup	66.606

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. LPBF was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

None

**LAKE PONTCHARTRAIN BASIN FOUNDATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 1998**

There were no audit findings reported in the prior year.

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**LAKE PONTCHARTRAIN
BASIN FOUNDATION**
MEMORANDUM OF ADVISORY COMMENTS

December 31, 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 _____

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February 5, 1999

Board of Directors
Lake Pontchartrain Basin Foundation
Metairie, Louisiana

Dear Directors:

In planning and performing our audit of the financial statements of **Lake Pontchartrain Basin Foundation** for the year ended December 31, 1998, we considered LPBF's internal controls in order to determine our audit procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal controls.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding that matter. This letter does not affect our report dated February 5, 1999, on the financial statements of LPBF.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and recommendations with various LPBF personnel, and we will be pleased to discuss them in further detail at your convenience, or assist you in implementing our recommendations.

Sincerely,

Rebowe & Company

Potential Year 2000 Computer Issue

The Year 2000 Computer issue results from a computer's inability to process year-date data accurately beyond the year 1999. Except in recent years, computer programmers consistently have abbreviated dates by eliminating the first two digits of the year, with the assumption that these two digits would always be 19. Thus January 1, 1965, became 01/01/65. Unless corrected, this shortcut is expected to create widespread problems when the clock strikes 12:00:01 a.m. on January 1, 2000. On that date, some computer programs may recognize the date as January 1, 1900, and process data inaccurately or stop processing altogether. Additionally, the use of abbreviated dates may cause failures when systems currently attempt to perform calculations into the year 2000.

The Year 2000 issue presents another challenge. The algorithm used in some computers for calculating leap years is unable to detect that the year 2000 is a leap year. Therefore, systems that are not year 2000 ready may not register the additional day, and date calculations may be incorrect. Furthermore, some software programs use several dates in the year 1999 to mean something other than the date. Examples of such dates are 01/01/99, 09/09/99, and 12/31/99. As systems process information using these dates, they may produce erratic results or stop functioning.

We recommend that you take the necessary actions to remediate or replace, and test all systems that may be negatively affected by the Year 2000 issue, particularly mission-critical systems. This project should be monitored closely to ensure completion before mission-critical systems begin to fail. Such failures may be evident before January 1, 2000. If LPBF fails to take timely and appropriate action, it may experience costly and significant application-program failures that could prevent it from performing its normal processing activities. Depending on the extent of system failures, noncompliance could have catastrophic consequences for LPBF.

Also, LPBF should implement additional verification procedures to test the accuracy of information received from its vendors, service providers, bankers, customers, and other third-party organizations with whom it exchanges date-dependent information, because these organizations also must become year 2000 ready. LPBF also should satisfy itself that vendors, service providers, bankers, customers, and other third-party organizations will not experience problems relating to the Year 2000 issue that could affect LPBF's operations or cash flows.

Management's Response

LPBF has completed the awareness and assessment stages in addressing its year 2000 compliance status. LPBF purchased new hardware and software during 1998, which was represented as being year 2000 compliant by the vendors involved. LPBF has also contacted third-party organizations with which it does business to ascertain their year 2000 compliance status. Moreover, the Foundation's financial reporting system has undergone significant modifications by consultants in order to facilitate year 2000 compliance. All modifications to the remaining modules are expected to be completed by

July 1999. These developments have occurred due to management's desire to upgrade the financial reporting system, along with the Foundation's other computer and related software programs, and in order to improve the efficiency and effectiveness of employees and staff. Moreover, while these efforts have contributed to obtaining year 2000 compliance, the recent purchases were made primarily to update the data processing capabilities of the Foundation. Consequently, it is unknown as to what effects, if any, failing to complete the remediation and validation/testing stages will have upon the Foundation's operations and financial reporting.