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REPORT

MIRABEAU FAMILY LEARNING CENTER, INC.

DECEMBER 31, 1997

MIRABEAU FAMILY LEARNING CENTER, INC.

DECEMBER 31, 1997

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DUPLANTIER, HRAPMANN, HOGAN & MAHER, L.L.P.
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INDEPENDENT AUDITOR'S REPORT

August 17, 1998

Board of Directors
Mirabeau Family Learning Center, Inc.
4908 Haik Drive
New Orleans, Louisiana 70122

We have audited the accompanying statement of financial position of Mirabeau Family Learning Center, Inc. as of December 31, 1997, and the related statements of activity, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following two paragraphs, we conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As more fully described in Note 1, we were unable to obtain documentation of the ownership of land improvements (building) in the amount of $163,926 received from a grantor agency. We therefore cannot determine if this item should be capitalized or expensed. In these financial statements, the building has been capitalized and is being depreciated over the term of the land lease.

As more fully described in Note 8, the Center has an investment in MFLC Partners. The partnership's 1997 activity has not been recorded in these financial statements. The effect on the financial statements of the preceding practice is not readily determinable.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we received documentation of the ownership of the building and except for the effects of not recording the 1997 partnership activity, the financial statements referred to above present fairly, in all material respects, the financial position of Mirabeau Family Learning Center, Inc. as of December 31, 1997, and its changes in net assets and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary data for the year ended December 31, 1997 included in Pages 11 - 12, inclusive, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is stated fairly in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was made for the purpose of forming an opinion on the financial statements 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 Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 1998 on our consideration of Mirabeau Family Learning Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Duplantier, Hrapmann Hogan & Maher LLP

MIRABEAU FAMILY LEARNING CENTER, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 1997

ASSETS

CURRENT ASSETS:	
Cash (Note 1)	$ 9,645
Accounts receivable - grants	33,619
Accounts receivable - related party (Note 2)	2,249
Unconditional promises (Notes 1 and 9)	2,990
Total current assets	48,503
PROPERTY, PLANT & EQUIPMENT: (Note 1)	
Building (Note 4)	166,485
Office equipment	10,584
Educational equipment	57,672
	234,741
Less: Accumulated depreciation	97,378
Total property, plant and equipment - net	137,363
OTHER ASSETS:	
Unconditional promises (Notes 1 and 9)	11,270
Investment in partnership (Note 8)	12,996
	24,266
TOTAL ASSETS	$ 210,132

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Cash overdraft	$ 2,717
Accounts payable (Note 2)	26,237
Accounts payable - related party (Note 2)	210
Notes payable (Note 7)	10,200
Payroll payable (Note 2)	39,196
Taxes payable	9,383
Total current liabilities	87,943
NET ASSETS:	
Unrestricted	122,189
TOTAL LIABILITIES AND NET ASSETS	$ 210,132

See accompanying notes.

MIRABEAU FAMILY LEARNING CENTER, INC.
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 1997

UNRESTRICTED NET ASSETS:	
REVENUE: (Note 1)	
Grant income	$ 292,751
Contributions	2,500
Other income	3,801
Total revenue	299,052
EXPENSES: (Note 1)	
Program services (Page 5)	273,097
Administrative and general (Page 5)	33,857
Total expenses	306,954
DECREASE IN UNRESTRICTED NET ASSETS	(7,902)
Net assets at beginning of year	130,091
NET ASSETS AT END OF YEAR	$ 122,189

See accompanying notes.

MIRABEAU FAMILY LEARNING CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1997

	PROGRAM SERVICES	ADMINISTRATIVE AND GENERAL	TOTAL
EXPENSES: (Note 1)			
Accounting	$ --	$ 19,322	$ 19,322
Administrative	--	446	446
Advertising	423	--	423
Depreciation	26,569	1,107	27,676
Dues and subscriptions	--	162	162
Insurance	16,896	704	17,600
Interest	--	1,629	1,629
Legal	1,556	65	1,621
Miscellaneous	646	26	672
Nutritional snacks	119	--	119
Payroll taxes	17,528	731	18,259
Postage/freight	244	10	254
Printing	89	4	93
Publications	87	4	91
Repairs and maintenance	2,246	94	2,340
Salaries	177,462	8,336	185,798
Security	250	10	260
Supplies	21,382	891	22,273
Telephone	2,817	117	2,934
Travel and transportation	1,811	75	1,886
Utilities	2,972	124	3,096
TOTAL EXPENSES	$ 273,097	$ 33,857	$ 306,954

See accompanying notes.

MIRABEAU FAMILY LEARNING CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1997

CASH FLOWS FROM OPERATING ACTIVITIES:	
Decrease in net assets	$ (10,005)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	27,676
Prior period adjustment	2,103
(Increase) decrease in operating assets:	
Accounts receivable - grants	33,617
Accounts receivable - related party	(2,249)
Unconditional promises	10,030
Prepaid insurance	798
Increase (decrease) in operating liabilities:	
Accounts payable	5,470
Accounts payable - related party	210
Payroll payable	(10,246)
Taxes payable	(4,104)
Net cash provided by operating activities	53,300
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of equipment	(42,316)
Net cash used by investing activities	(42,316)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from notes payable	67,600
Payments on notes payable	(63,400)
Proceeds from notes payable - related party	1,100
Payments on notes payable - related party	(12,780)
Net cash used by financing activities	(7,480)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,504
Cash and cash equivalents - beginning of year	3,424
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 6,928
SUPPLEMENTARY CASH FLOW INFORMATION:	
Cash was paid for the following:	
Interest	$ 1,629
Income taxes	--

See accompanying notes.

MIRABEAU FAMILY LEARNING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997

NATURE OF OPERATIONS:

Mirabeau Family Learning Center, Inc. is a neighborhood-based nonprofit organization committed to strengthening personal, family, and neighborhood self-reliance by providing education, training, affordable housing, and support services. The primary source of revenue is federal grant income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of Mirabeau Family Learning Center, Inc. conform to generally accepted accounting policies as applicable to nonprofit organizations. The following is a summary of significant policies:

Basis of Presentation:

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Standards No. 117, *Financial Statements of Not-for-Profit Organizations*.

The statement of activities presents expenses of the Center's operations functionally between program services, fundraising and administrative. Those expenses which cannot be functionally categorized are allocated between functions based upon management's estimate of usage applicable to conducting those functions.

Statement of Cash Flows:

For purpose of the statement of cash flows, the Center considers cash and cash equivalents to be all items designated as "cash" on the balance sheet.

Unconditional Promises:

Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional.

The Center uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Basis of Accounting:

The financial statements reflect the accrual method of accounting in accordance with generally accepted accounting principles. Revenues are recognized in the period in which they become due. Expenses are recognized in the period in which the related liability is incurred.

MIRABEAU FAMILY LEARNING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property and Equipment:

The use of unrestricted funds and grant revenue for plant acquisitions is accounted for as transfers to the plant fund. Property and equipment are stated at cost. The building is depreciated using the straight-line method over ten years, which is the term of the land lease. (See note 4.) The equipment is depreciated over the estimated useful life of five years using the straight-line method of depreciation. Depreciation expense of $27,676 was charged to the plant fund for the year ended December 31, 1997. The building was purchased with grant revenue. We were unable to obtain documentation from the grantor as to the ownership of the building during the term of the lease. The building has been capitalized in these financial statements.

Donated Services:

No amounts have been reflected in the statements for donated services, insomuch as no objective basis is available to measure the value of such services.

2. RELATED PARTY TRANSACTIONS:

During the year ended December 31, 1997, the Center engaged in transactions with MFLC Partners, of which the Center is a 99.9% general partner (see Note 8).

At December 31, 1997, MFLC Partners owed the Center $2,249 for reimbursement of expenses. At December 31, 1997, the Center owes MFLC Partners $210 which consists of expenses paid by the partnership for the Center.

A note payable to MFLC Partners in the amount of $11,680 payable upon demand and bearing no interest was repaid in full in February, 1997.

During 1997, the Center incurred expenses in the amount of $18,410 for services provided by a board member. At December 31, 1997, accounts payable included $12,586, due to the board member for services rendered. In addition, the board member loaned $1,100 to the Center which was repaid in full in April, 1997.

At December 31, 1997, accounts payable includes $148 owed to the Center's President for reimbursement of expenses.

At December 31, 1997, payroll payable included $22,434 owed to the Center's President for previous salary.

3. COMMITMENTS AND CONTINGENCIES:

The Center receives a substantial amount of its support from federal funds. A significant reduction in the level of this support, if this were to occur, may have an effect on the Center's programs and activities.

MIRABEAU FAMILY LEARNING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997

4. LAND LEASE:

The Center has leased land for a term of five years with an automatic five year renewal expiring December 23, 2003. The consideration given by the Center for the lease is rent of $1 per year. According to the lease between the Center and the owner of the land, ownership of the building (whose current ownership is undocumented - See Note 1) which was constructed on the land by the Center will revert to the lessor upon termination of the lease.

5. USE OF ESTIMATES:

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

6. INCOME TAXES:

The Mirabeau Family Learning Center, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

7. NOTES PAYABLE:

At December 31, 1997, the Center was indebted to Whitney National Bank in the amount of $10,000. The note is due April, 1998 and bears interest at 9.50%. The note is secured by the guarantee of one officer of the Center.

8. INVESTMENT IN PARTNERSHIP:

The Center is a 99.9% general partner in MFLC Partners, which was established in 1995. The partnership was formed to construct and operate a multi-family housing complex to be occupied by low and moderate income families and individuals. This investment is accounted for on the equity method of accounting (cost, adjusted for the income of the partnership) as of December 31, 1995. The partnership's 1997 income is not reported in these financial statements.

9. UNCONDITIONAL PROMISES:

At December 31, 1997, all unconditional promises were unrestricted. Unconditional promises due in more than one year are considered to be reflected at the present value of estimated future cash flows because the amount of the contribution will be adjusted annually to reflect market adjustments.

No provision has been made for uncollectible amounts as all are expected to be collected.

Unconditional promises at December 31, 1997 are as follows:

Receivable in less than one year	$ 2,990
Receivable in one to five years	11,040
Receivable in more than five years	230
	$14,260

MIRABEAU FAMILY LEARNING CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997

10. GRANT FUNDS:

The Center receives grant revenue under a Special Purpose Grant from the Department of Housing and Urban Development (HUD) in accordance with an agreement with the City of New Orleans for the period June 1, 1996 through May 31, 1997. It is management's contention that expenses incurred for the purpose of the Special Purpose Grant for the period January 1, 1996 to May 31, 1996 in the amount of $32,736 are reimbursable with Special Purpose Grant funds since the grant was awarded to the City of New Orleans previous to 1996. This issue is currently being addressed with the City of New Orleans and HUD. These financial statements contain no accrual of grant revenue for the period in question.

MIRABEAU FAMILY LEARNING CENTER, INC.
SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1997

	UNRESTRICTED	FIND WORK	SPECIAL PURPOSE GRANT II
CURRENT ASSETS:			
Cash	$ --	$ 4,489	$ 5,156
Accounts receivable - grants	--	17,762	15,165
Accounts receivable - related party	2,249	--	--
Unconditional promises	2,990	--	--
Due from other funds	12,448	1,066	7,264
Total current assets	17,687	23,317	27,585
PROPERTY, PLANT & EQUIPMENT:			
Building	--	--	--
Office equipment	--	--	--
Educational equipment	--	--	--
	--	--	--
Less: Accumulated depreciation	--	--	--
Total property, plant and equipment - net	--	--	--
OTHER ASSETS:			
Unconditional promises	11,270	--	--
Investment in partnership	12,996	--	--
	24,266	--	--
TOTAL ASSETS	$ 41,953	$ 23,317	$ 27,585
CURRENT LIABILITIES:			
Cash overdraft	$ 2,717	$ --	$ --
Accounts payable	12,307	4,403	8,822
Accounts payable - related party	--	105	105
Notes payable	10,200	--	--
Payroll payable	18,849	6,445	12,400
Taxes payable	1,304	1,811	4,767
Due to other funds	9,602	11,718	743
Total current liabilities	54,979	24,482	26,837
NET ASSETS:			
Unrestricted	(13,026)	(1,165)	748
TOTAL LIABILITIES AND NET ASSETS	$ 41,953	$ 23,317	$ 27,585

YOUTH BUILD	PROJECT INDEPENDENCE	PLANT FUND	TOTAL
$ --	$ --	$ --	$ 9,645
692	--	--	33,619
--	--	--	2,249
--	--	--	2,990
--	2,731	--	23,509
692	2,731	--	72,012
--	--	166,485	166,485
--	--	10,584	10,584
--	--	57,672	57,672
--	--	234,741	234,741
--	--	97,378	97,378
--	--	137,363	137,363
--	--	--	11,270
--	--	--	12,996
--	--	--	24,266
$ 692	$ 2,731	$ 137,363	$ 233,641
$ --	$ --	$ --	$ 2,717
599	106	--	26,237
--	--	--	210
--	--	--	10,200
--	1,502	--	39,196
--	1,501	--	9,383
151	1,295	--	23,509
750	4,404	--	111,452
(58)	(1,673)	137,363	122,189
$ 692	$ 2,731	$ 137,363	$ 233,641

MIRABEAU FAMILY LEARNING CENTER, INC.
SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 1997

	UNRESTRICTED	FIND WORK	SPECIAL PURPOSE GRANT II
UNRESTRICTED NET ASSETS:			
REVENUE:			
Grant income	$ --	$ 75,726	$ 186,183
Contributions	2,500	--	--
Other income	3,801	--	--
Total revenue	6,301	75,726	186,183
EXPENSES:			
Accounting	16,189	1,615	730
Administrative	178	--	268
Advertising	261	--	150
Depreciation	--	--	--
Dues and subscription	--	142	--
Insurance	1,288	5,324	9,740
Interest	1,629	--	--
Legal	1,440	--	181
Miscellaneous	77	55	483
Nutritional snacks	--	--	119
Payroll taxes	--	4,850	10,046
Postage/freight	3	85	110
Printing	--	78	--
Publications	--	17	49
Repairs and maintenance	332	631	1,377
Salaries	--	55,047	107,343
Security	--	70	130
Supplies	578	6,996	9,559
Telephone	--	1,043	1,551
Travel and transportation	10	1	1,448
Utilities	103	937	1,503
Total expenses	22,088	76,891	144,787
TRANSFERS:			
Transfers in	--	--	--
Transfers out	1,244	--	41,072
	(1,244)	--	(41,072)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(17,031)	(1,165)	324
Net assets at beginning of year	4,005	--	424
NET ASSETS AT END OF YEAR	$ (13,026)	$ (1,165)	$ 748

YOUTH BUILD	PROJECT INDEPENDENCE	PLANT FUND	TOTAL
$ 692	$ 30,150	$ --	$ 292,751
--	--	--	2,500
--	--	--	3,801
692	30,150	--	299,052
--	788	--	19,322
--	--	--	446
12	--	--	423
--	--	27,676	27,676
20	--	--	162
--	1,248	--	17,600
--	--	--	1,629
--	--	--	1,621
57	--	--	672
--	--	--	119
--	3,363	--	18,259
56	--	--	254
--	15	--	93
--	25	--	91
--	--	--	2,340
--	23,408	--	185,798
--	60	--	260
171	4,969	--	22,273
7	333	--	2,934
427	--	--	1,886
--	553	--	3,096
750	34,762	27,676	306,954
--	--	42,316	42,316
--	--	--	42,316
--	--	42,316	--
(58)	(4,612)	14,640	(7,902)
--	2,939	122,723	130,091
$ (58)	$ (1,673)	$ 137,363	$ 122,189

MIRABEAU FAMILY LEARNING CENTER, INC.
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON A FINANCIAL STATEMENT AUDIT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED DECEMBER 31, 1997

August 17, 1998

Board of Directors
Mirabeau Family Learning Center, Inc.
4908 Haik Drive
New Orleans, Louisiana 70122

We have audited the financial statements of the Mirabeau Family Learning Center, Inc. (the Center), as of and for the year ended December 31, 1997, and have issued our report thereon dated August 17, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Center'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 an instance of noncompliance that is described in the accompanying schedule of findings as item 97-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center'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 in a separate letter dated August 17, 1998.

This report is intended for the information of the Board of Directors and management of Mirabeau Family Learning Center, Inc. However, this report is a matter of public record and its distribution is not limited.

Duplantier, Hrapmann, Hogan & Maher LLP

MIRABEAU FAMILY LEARNING CENTER, INC.
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
FOR THE YEAR ENDED DECEMBER 31, 1997

August 17, 1998

Board of Directors
Mirabeau Family Learning Center, Inc.
4908 Haik Drive
New Orleans, Louisiana 70122

Compliance

We have audited the compliance of Mirabeau Family Learning Center, Inc. (the Center), with the types of compliance requirements described in the *U.S. 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, 1997. The Center's major federal program is 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 the Center's management. Our responsibility is to express an opinion on the Center'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 Nonprofit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit of 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 the Center'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 the Center's compliance with those requirements.

In our opinion, the Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1997.

Internal Control Over Compliance

The management of the Center 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 the Center'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 our opinion on compliance and to test and report on 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 a 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 for the information of the Board of Directors and management of Mirabeau Family Learning Center, Inc. However, this report is a matter of public record and its distribution is not limited.

Duplantier, Hrapmann, Hogan & Maher LLP

MIRABEAU FAMILY LEARNING CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1997

PROGRAM TITLE	FEDERAL CFDA NUMBER	DISBURSEMENTS/ EXPENDITURES
MAJOR PROGRAMS		
Department of Housing and Urban Development:		
Special Purpose Grant	LA 485PG504*	$185,859
OTHER FEDERAL ASSISTANCE:		
Department of Health and Human Services:		
Project Independence	93.561	34,762
Find Work	93.561	76,891
Department of Housing and Urban Development:		
Youth Build	14.243	750
		$298,262

* This grant has no CFDA number.
It is identified by the City of New Orleans grant number.

MIRABEAU FAMILY LEARNING CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1997

Summary of Auditor's Results:

1. A qualified opinion was issued on the financial statements of the Mirabeau Family Learning Center, Inc. for the year ended December 31, 1997.

2. The audit disclosed one instance of noncompliance which is material to the financial statements of the Mirabeau Family Learning Center, Inc.

3. An unqualified opinion was issued on compliance for major programs of the Mirabeau Family Learning Center, Inc. for the year ended December 31, 1997.

4. The audit disclosed no findings which are required to be reported by OMB Circular A-133.

5. The Mirabeau Family Learning Center, Inc. had one major program which was a special purpose grant from the U. S. Department of Housing and Urban Development. Federal expenditures of this program were $185,859.

6. Type A programs are those programs with federal awards expended during the year ended December 31, 1997 exceeding $300,000.

7. The Mirabeau Family Learning Center, Inc. qualified as a low-risk auditee.

Findings Required To Be Reported Under Generally Accepted Governmental Auditing Standards:

97-1
Audit Completion

The audit of the Center was not completed within six months of the close of its fiscal year, as required by state law. The books and records of the Center were not available to be audited timely due to a transition of accounting staff.

We recommend that the books and records of the Center be available for audit in a timely manner in the future. Management has addressed this issue by retaining the services of an accounting firm to prepare the Center's books and records monthly, commencing in 1998.

Findings and Questioned Costs For Federal Awards

None

MIRABEAU FAMILY LEARNING CENTER, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 1997

PRIOR PERIOD FINDINGS:

96-001

SPECIAL PURPOSE GRANT

The Special Purpose Grant requires that checks be signed by two authorized officials other than the accountant or bookkeeper. During 1996, checks were signed by the Center's bookkeeper.

The contract between the City of New Orleans and the Center was signed in 1997, but was retroactive to 1996. Disbursements were made by check in 1996 and 1997 prior to the implementation of the contract. Center personnel were unaware of the signature requirements, but have subsequently adhered to the contract requirements.

DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

1340 Poydras St., Suite 2000 • New Orleans, LA 70112
(504) 586-8866
Fax (504) 525-5888

August 17, 1998

Board of Directors
Mirabeau Family Learning Center, Inc.
4908 Haik Drive
New Orleans, Louisiana 70122

In planning and performing our audit of the financial statements of Mirabeau Family Learning Center, Inc. for the year ended December 31, 1997, we considered the Center's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal control and operating efficiency. We also noted immaterial instances of noncompliance with grant requirements.

INTERNAL CONTROL:

Payroll Tax Returns (97-2)

During audit testing, it was noted that salaries were not properly reported on Form 941 during 1997. One payroll period was reported twice, and one payroll period was omitted. The taxes withheld for the omitted payroll period are retained by the Center and recorded as payable on the Center's books.

It is recommended that the payroll tax returns for 1997 be amended and any payroll taxes due be remitted to the proper agency.

It should be noted that the above situation was caused partly by a transition in accounting staff. Management is in the process of amending the 1997 returns. Also, near the end of 1997, the Center contracted with a payroll service to prepare payroll checks and payroll tax returns. This will help ensure that the above noted situation does not occur in the future.

Accounts Payable (97-3)

During audit testing, it was noted that several vendors had debit balances in the accounts payable subsidiary, resulting from invoices not recorded in the accounts payable system and expenses that were reallocated between funds. It appears that this situation resulted partly from a transition in accounting staff. These items were corrected during the audit.

It is recommended that the accounts payable subsidiary be reviewed on a monthly basis for reasonableness of vendor balances and any unusual items be investigated. Management has implemented procedures in this area in 1998.

Credit Cards (97-4)

During 1997, credit cards in the name of the Center were used for purchases of supplies and equipment for the Center. In several cases, expenses charged on the credit cards were not recorded in the general ledger. This resulted from receipts for expenses not being maintained by Center personnel. Some credit card balances also were not reconciled to monthly statements. It appears that these conditions resulted partly from a transition in accounting staff. During the audit, the missing expenses were recorded and the payable balance was reconciled to the December statement.

It is recommended that all receipts for credit card purchases be maintained and remitted to the accounting personnel immediately for recording in the accounting records. It is also recommended that the credit card payable balances be reconciled monthly to credit card statements. Management has since implemented procedures to ensure timely processing and reconciliation of credit card receipts and statements.

Reconciliation of Bank Accounts (97-5)

It was noted that bank reconciliations for all bank accounts for the month of December were not prepared on a timely basis, caused in part by a transition in the accounting staff.

It is recommended that bank reconciliations be prepared monthly upon receipt of bank statements. Management has since implemented procedures to ensure timely reconciliation of bank accounts.

NONCOMPLIANCE:

Tagging of Equipment (97-6)

The Special Purpose Grant requires that equipment purchased with its funds be tagged with City of New Orleans tags. It was noted that the equipment purchased with Special Purpose Grant funds during 1997 was not tagged with City of New Orleans tags. The City of New Orleans was informed on several occasions that the Center had equipment to be tagged, but has not tagged the equipment.

We recommend that the City of New Orleans provide tags for the Center's equipment.

Signing of Checks (97-7)

The Special Purpose Grant requires that checks be signed by two authorized officials other than the accountant or bookkeeper. For a portion of 1997, checks were signed by the Center's bookkeeper.

The contract between the City of New Orleans and the Center was signed during 1997, but was retroactive to 1996. Disbursements were made by check prior to the implementation of the contract. Center personnel were unaware of the requirements, but have subsequently adhered to the contract requirements.

Program Income (97-8)

In accordance with the grant agreement, program income generated by an activity that is assisted with Special Purpose Grant funds is required to be reported to the City on a monthly basis. The City has the option of allowing the Center to use the program income for eligible services. During 1997, the Center collected $948 from program participants for printed course materials. This income was not reported to the City.

We recommend that all program income generated from federally funded activities be reported to the proper authorities as required by the grant agreements.

Management has contacted the City's Fiscal Monitor to receive instruction on reporting and disposition of the income. Federal regulations require that program income be used in one of three ways: (1) deducted from federal outlays, (2) added to the project budget, or (3) used to meet matching requirements. If the Center is allowed to retain the program income generated from the Special Purpose Grant, we recommend that the Center maintain records to track the use of this income to document it is used as required.

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

Sincerely,

DUPLANTIER, HRAPMANN, HOGAN & MAHER, LLP

By William Stamm
William G. Stamm, CPA
Partner

WGS/fk

MFLC
Mirabeau Family Learning Center, Inc
4908 Haik Drive • New Orleans, LA 70122 • (504) 288-9075 • Fax: (504) 286-1352

98 NOV 16 AM 10:45

November 10, 1998

Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Sir or Madam:

Following is the Corrective Action Plan for Audit Findings 97-1 through 97-8, reported in our audit report and management letter for the year ended December 31, 1997.

<u>97-1</u>

We have addressed this issue by hiring an accounting firm to prepare the books, records and reports of the Center commencing in 1998. The books and records were not available to be audited timely for 1997 due to a transition in accounting staff and accounting services. It is our intention to conclude the 1998 audit within the first quarter of 1999. We believe appropriate steps have been taken to ensure the timely closeout of the fiscal year, which should result in the audit being completed timely.

<u>97-2</u>

We are in the process of amending the 1997 payroll tax returns. We have also contracted with a payroll service to prepare payroll checks and payroll tax returns. We believe this will ensure the correct and timely payroll reporting in the future.

<u>97-3</u>

We have implemented procedures to ensure reconciliation of the accounts payable subsidiary to the general ledger balance. We have hired an accounting firm to prepare the books, records and reports of the Center commencing in 1998. Their duties will include, but are not limited to, reconciliation of the general ledger to the accounts payable subsidiary.

97-4

We have implemented procedures to ensure timely processing of credit card receipts and reconciliation to statement balances. We have hired an accounting firm to prepare the books, records and reports of the Center commencing in 1998. Their duties will include, but are not limited to, reconciliation of the general ledger to the credit card statements. We have also implemented the policy of requiring employees to submit credit card receipts to the accounting staff within three days, and also retaining copies of the receipts in their files until payment of the credit card bill.

97-5

We have implemented procedures to ensure timely reconciliation of bank statements. We have hired an accounting firm to prepare the books, records and reports of the Center commencing in 1998. Their duties will include, but are not limited to, reconciliation of bank statements monthly.

97-6

The City of New Orleans has been informed on numerous occasions in writing and by telephone in 1997 and 1998 that the Center had equipment to be tagged. The City has not responded. We intend to continue sending notices and calling City personnel until the City takes appropriate action.

97-7

Our contract with the City of New Orleans was signed during 1997, but was retroactive to 1996. We made disbursements by check prior to implementation of the contract and were unaware of the contract's requirements at that time. Upon receipt of the final executed contract, we became aware of the requirements for check signing. Since that time we have adhered to these requirements.

97-8

During 1997, the Center received $948 of program income from program participants for printed course materials. We were not aware that this was considered program income. We have since contacted our fiscal monitor and our representative at the Division of Housing and Neighborhood Development to seek advice on the proper procedures to report and account for these funds. Once we have received instructions, we intend to follow their recommendations.

Should you require further information, please do not hesitate to contact me.

Very truly yours,

Michael R. Vales

Michael R. Vales
President