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LOUISIANA GUARDIANSHIP SERVICES, INC.

FINANCIAL REPORT

JUNE 30, 1998

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

Release Date [illegible]

LOUISIANA GUARDIANSHIP SERVICES, INC.

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JUNE 30, 1998

Zahn, Kenney & Bresette
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Louisiana Guardianship Services, Inc.

We have audited the accompanying statement of financial position of the Louisiana Guardianship Services, Inc. (the Company) (a nonprofit organization) as of June 30, 1998, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Company'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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Guardianship Services, Inc. as of June 30, 1998, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 1998, on our consideration of Louisiana Guardianship Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Zahn, Kenney & Bresette

Zahn, Kenney & Bresette
Certified Public Accountants

Metairie, Louisiana
December 18, 1998

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LOUISIANA GUARDIANSHIP SERVICES, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 1998

ASSETS

Cash and cash equivalents	$ 3,809
Cash held in escrow for representative payees	37,129
Receivables:	
Grants (Note 2)	33,636
Prepaid expenses	2,612
Employee advances	212
Assets restricted to investment in property, furniture, and equipment (Note 3)	
Cost, less accumulated depreciation of $13,095	5,742
Total Assets	$ 83,140

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	$ 8,686
Payroll taxes payable	3,209
Accrued vested annual leave benefits	8,438
Lease payable, net (Note 4)	572
Funds held in escrow (Note 5)	37,129
Bank line of credit (Note 6)	4,600
Total Liabilities	62,634
Net Assets	
Unrestricted	20,506
Total Net Assets	20,506
Total Liabilities and Net Assets	$ 83,140

(See notes to financial statements)

LOUISIANA GUARDIANSHIP SERVICES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 1998

	Unrestricted	Temporarily Restricted	Total
Support, Revenues and Reclassifications			
Support			
Grant - Federal Government	$ 35,835		$ 35,835
Grant - State of Louisiana	174,700		174,700
Contributions	10,583		10,583
Total Support	221,118		221,118
Revenues			
Investment income	358		358
Other revenue	4,473		4,473
Total Revenue	4,831		4,831
Net assets released from restrictions	10,000	$ (10,000)	
Total Support, Revenues and Reclassifications	235,949	(10,000)	225,949
Expenses			
Program services	212,949		212,949
Management and general	23,465		23,465
Total Expenses	236,414		236,414
Decrease in Net Assets	(465)	(10,000)	(10,465)
Net Assets			
Beginning of year	20,971	10,000	30,971
End of year	$ 20,506	$ -0-	$ 20,506

(See notes to financial statements)

LOUISIANA GUARDIANSHIP SERVICES, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 1998

Cash flows from operating activities:	
Cash received from the State of Louisiana	$ 194,030
Cash received from the Federal Government	24,854
Cash collected from contributors	4,583
Interest received	358
Other revenue	4,473
Cash paid to employees	(151,591)
Fringe benefits	(23,400)
Travel	(12,246)
Office expense	(2,397)
Accounting and professional	(8,387)
Dues and subscriptions	(690)
Duplicating and printing	(1,157)
Education and conferences	(3,558)
Insurance	(3,045)
Postage	(1,000)
Rent	(4,432)
Repairs and maintenance	(446)
Telephone	(4,819)
Administrative costs	(6,898)
Interest expense	(2,253)
Net cash provided by operating activities	1,979
Cash flows from financing activities:	
Payments on equipment lease	(2,349)
Proceeds from bank line of credit	14,600
Payments on bank line of credit	(18,890)
Employee advances	(212)
Net cash used by financing activities	(6,851)
Net decrease in cash	(4,872)
Cash at beginning of year	8,681
Cash at end of year	$ 3,809

(See notes to financial statements)

LOUISIANA GUARDIANSHIP SERVICES, INC.

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 1998

Reconciliation of change in net assets to net cash provided by operating activities:

Change in net assets	$ (10,465)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	2,691
Amortization of lease interest	1,205
Decrease in receivables	17,070
Decrease in prepaid expenses	657
Increase in accounts payable	1,213
Decrease in payroll taxes payable	(3,603)
Increase in vested annual leave benefits	1,933
Decrease in deferred program support	(8,722)
Net cash provided by operating activities	$ 1,979

(See notes to financial statements)

LOUISIANA GUARDIANSHIP SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 1998

	Total	Program Services	Management and General
Salaries	$ 153,524	$ 144,653	$ 8,871
Accounting	13,450	7,450	6,000
Conferences/training	3,558	3,558	
Dues and subscriptions	690	570	120
Insurance:			
General	6,701	6,701	
Group	5,416	5,416	
Depreciation	2,691		2,691
Interest expense	3,458		3,458
Miscellaneous	6,261	5,765	496
Office supplies	2,397	2,397	
Payroll taxes	14,153	13,335	818
Postage	1,000	1,000	
Printing and duplication	1,066	1,066	
Professional	205	205	
Rent	4,420	4,420	
Repairs and maintenance	446	446	
Telephone	4,732	4,732	
Travel	12,246	11,235	1,011
Total	$ 236,414	$ 212,949	$23,465

LOUISIANA GUARDIANSHIP SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1998

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Louisiana Guardianship Services, Inc. (the Company) are prepared on the accrual basis of accounting and in accordance with the recommendations of the American Institute of Certified Public Accountants in its Industry Audit Guide, "Audits of Certain Nonprofit Organizations". Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, and relates to the timing of the measurements made. The significant accounting policies followed are described below:

a) Organization:

The Company is a non-profit corporation organized under the laws of the State of Louisiana. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is exempt from Louisiana income tax under the authority of R.S. 47:121(5).

The Company is a private non-profit corporation organized to: (1) act as curator or continuing tutor for the person, property, or both, of adults in Louisiana in need of full or limited interdiction or continuing tutorship; (2) to act and be recognized as an agency under contract with the State of Louisiana and its political subdivisions or any department, office, agency, board or commission of either, to perform curatorship or continuing tutorship services for Louisiana citizens pursuant to Title 9, Section 1031 et seq. of the Louisiana Revised Statutes, as amended; (3) to advance continuing legal education for judges and attorneys who are involved in interdiction and continuing tutorship proceedings; and (4) to identify the alternative agencies and existing resources within Louisiana which may meet the needs of Louisiana adults who are declined services by the corporation and to provide a system for referring such persons to these alternative agencies and resources.

Specific program objectives are to protect the rights and interests of mentally incapacitated persons in Louisiana with no one to make decisions on their behalf, the program will:

1. Act as limited or full curator for up to 105 persons during the fiscal year of program operation;

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Provide joint training to DHH-OCDD (Department of Health and Hospitals Office For Citizens With Developmental Disabilities) staff and others selected from the general public, service providers, and the legal community about the work of the Company and about all issues surrounding guardianship;

3. Give priority for guardianship services from DHH-OCDD facilities as determined by DHH-OCDD state office;

4. Refer persons who are not eligible for the Company's services to alternative community resources;

5. To require individuals referred to the Company from outside of DHH-OCDD facilities to be screened by DHH-OCDD for prioritization for curatorship assignment;

6. To provide continuing curatorship services to clients relocated from OCDD facilities to private/community placements.

Other specific program objectives are to provide guardianship services to elders who have no one willing or able to assume this responsibility, provide consultation to the legal system about guardianship issues, and education regarding alternatives to guardianship. The guardianship services provided include acting as full or limited guardian of an individual's financial, medical, and treatment planning needs.

The Company also provides additional services to the public as representative payee and court appointed guardian. As representative payee for disabled individuals the Company, at the request of the Social Security Administration or the individuals themselves, receives the individuals' benefits and manages their bills on their behalf. The disabled individuals are usually allowed to remain in their homes while the Company acts as representative payee. As court appointed guardian for individuals who are deemed incompetent, the Company may be ordered to manage the finances, medical, residential and treatment needs of each individual. The Company may also manage some or all of the affairs, including finances, of competent individuals who choose to voluntarily assign the Company Power of Attorney.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Accounting: (Continued)

The Company reports gifts of property, furniture, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Company reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

c) Receivables:

Amounts of the government grants awarded and earned but not received at the end of the grant period, which corresponds to the Company's year end, are accrued as grant receivable at June 30, 1998.

d) Property, Furniture, and Equipment:

Property, furniture, and equipment are stated at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets (seven years). One-half year's depreciation is taken in the year of purchase.

e) Vested Annual Leave Benefits:

Employees are entitled to paid vacations after six months of employment. Vacation time in excess of 160 hours cannot be accrued. Terminated employees will be paid for unused vacation leave if employed in excess of six months.

Vested annual leave benefits are accrued and recorded as a liability when such compensated absences become non-forfeitable. These amounts are not charged as program expenses of Federal government grants or agency contracts, and are treated as non-allowed costs, until they are paid.

Sick leave accrues at eight hours per month, or ninety-six hours per year. There is no maximum accumulated sick leave. Sick leave does not vest with the employee and, therefore, is forfeited upon termination.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Other Support and Revenue Recognition:

Cash donations are recorded as earned revenue when received.

NOTE 2--GRANTS AND CONTRACTS FOR SERVICES RECEIVABLE

The Company has incurred expenses on contracts open at June 30, 1998, in excess of contract fees for services received at that date. A receivable has been recorded on these contracts for the excess expenses as follows:

State of Louisiana Office of Mental Retardation/ Developmental Disabilities	$ 29,116
State of Louisiana Office of Elderly Affairs	4,520
	$ 33,636

NOTE 3--PROPERTY, FURNITURE, AND EQUIPMENT

Property, furniture, and equipment represents acquisitions of tangible personal property by funds provided to the Company by a Federal government grant, a contract for services by an agency funded by the State of Louisiana, or by unrestricted funds of the Company. The Company has the right to use these assets in the programs for which they were acquired.

The U.S. Department of Health and Human Services (DHHS), and the State of Louisiana retain an equitable interest in these capital assets which must be used for the specified program for which they were acquired. DHHS and the State of Louisiana retain the right to require transfer of the asset back to the Federal or State governments, but this is normally exercised only if the program for which the assets were acquired would be transferred from one grantee to another.

Property, furniture, and equipment consisted of the following at June 30, 1998:

Funding Source	Cost	Accumulated Depreciation	Net Book Value
Federal	$ 2,094	$ 1,702	$ 392
State of Louisiana	16,743	11,393	5,350
Totals	$18,837	$13,095	$ 5,742

Depreciation expense for the year ended June 30, 1998 was $2,691.

NOTE 4--LEASE COMMITMENTS

The Company leased office space for the main office in Metairie under a non cancelable agreement accounted for as an operating lease during the year ended June 30, 1998. The lease expires November 30, 1998.

Future minimum lease payments under this lease as of June 30, 1999 are $2,255.

Rental expense incurred under this lease was $4,420 for the year ended June 30, 1998.

The company has also entered into a lease for a copy machine with terms of three years. Based on the provisions of Statement No. 13, issued by the Financial Accounting Standards Board, the lease meets the criteria of a capital lease and, accordingly, has been recorded as such. This asset is reported at a cost of $4,710. Depreciation of $2,355 has been recognized to date.

Future minimum lease payments under the capital lease, together with the present value of minimum lease payments subsequent to June 30, 1998, are as follows:

June 30, 1999	$1,175
Less amount representing interest	603
Present value of minimum lease payments	$ 572

NOTE 5--FUNDS HELD IN ESCROW

This balance represents funds held in a separate Louisiana Guardianship Services, Inc. bank account for the client trust accounts. Deposits are made to this account of the client's personal funds (social security, etc.) and disbursements are drawn from this account for the client's living expenses. The funds in the bank account are the property of the client.

NOTE 6--BANK LINE OF CREDIT

The Company has a bank line of credit which provides short-term borrowings up to $10,000. Interest and principle on advances is payable monthly at the prime rate plus 3.25%, not to exceed a maximum annual rate of 21%. The outstanding balance is $4,600 as of June 30, 1998.

NOTE 7--TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of funds from the RosaMary Foundation to coordinate the establishment of a money management program for elderly and disabled persons. The startup of this program occurred during fiscal year ended June 30, 1998. Upon startup, these temporarily restricted net assets were transferred to unrestricted net assets.

NOTE 8--CREDIT RISK CONCENTRATION AND MAJOR FUNDING SOURCES

The Company receives grants and contracts for services from government agencies which comprises the majority of its revenue.

NOTE 9--DONOR RESTRICTIONS

During the fiscal year ended June 30, 1998 the Company received no funds with donor restrictions.

NOTE 10--LITIGATION AND CLAIMS

There is no pending litigation against the Company at June 30, 1998. Furthermore, the Company's management believes that any potential lawsuits would be adequately covered by insurance.

NOTE 11--IN-KIND DONATIONS

The Company received $6,000 in various in-kind contributions during the fiscal year which have been valued at their estimated fair market value and presented in this report as revenue. Related expenditures, equal to the in-kind revenues, have also been presented, thereby producing no effect on net assets.

A summary of the in-kind contributions and their respective assigned values is as follows:

Accounting fees	$ 6,000

NOTE 12--BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

SPECIAL REPORTS OF INDEPENDENT AUDITOR

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
Louisiana Guardianship Services, Inc.

We have audited the financial statements of Louisiana Guardianship Services, Inc. (the Company) as of and for the year ended June 30, 1998, and have issued our report thereon dated December 18, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Company'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 Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Company's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Company's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

The reportable condition is that there is a lack of segregation of duties in the handling of cash receipts and disbursements due to the relative size of the organization.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

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

Zahn, Kenney & Bresette

Zahn, Kenney & Bresette
Certified Public Accountants

Metairie, Louisiana
December 18, 1998

Zahn, Kenney & Bresette
Certified Public Accountants

December 18, 1998

To the Audit Committee, Board of Directors and
Senior Management of Louisiana Guardianship Services, Inc.

We have audited the financial statements of Louisiana Guardianship Services, Inc. (the Company) for the year ended June 30, 1998, and have issued our report thereon dated December 18, 1998. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated July 24, 1998, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Company. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Company are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 1998. We noted no transactions entered into by the Company during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

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Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Audit Committee, Board of Directors and Senior Management of Louisiana Guardianship Services, Inc. and should not be used for any other purpose.

Very truly yours,

Zahn, Kenney & Bresette

Zahn, Kenney & Bresette
Certified Public Accountants