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R E P O R T  
REALIZATION INCORPORATED  
JUNE 30, 1999 AND 1998

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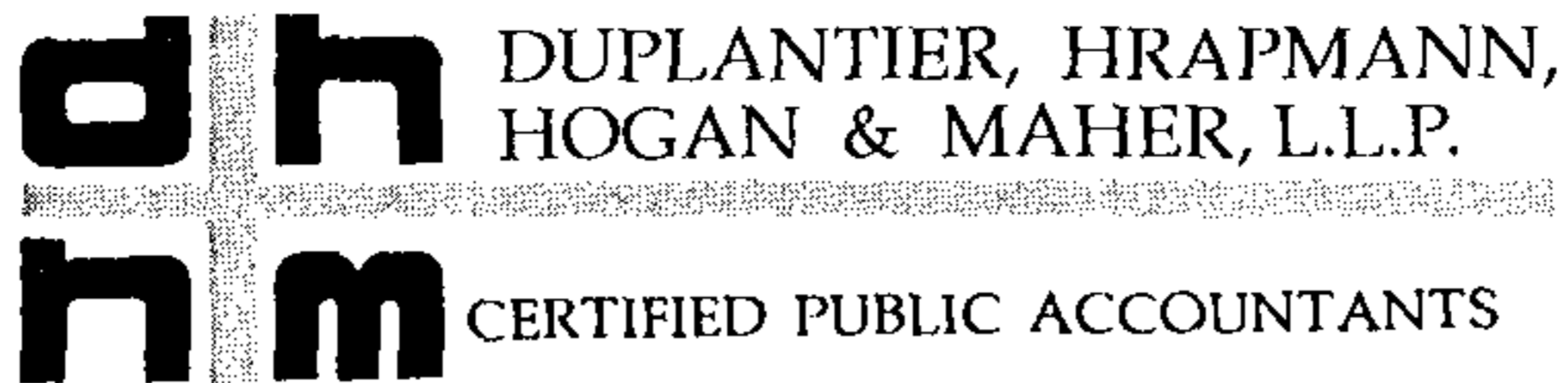
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REALIZATION INCORPORATED

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SOCIETY OF LA. C.P.A.'S

## INDEPENDENT AUDITOR'S REPORT

July 29, 1999

Board of Directors  
Realization Incorporated  
1210 Franklin Avenue  
New Orleans, Louisiana 70117

We have audited the accompanying statements of financial position of Realization Incorporated's grant agreement with the State of Louisiana, Governor's Office of Urban Affairs and Development as of June 30, 1999 and 1998 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Realization Incorporated's management. Our responsibility is to express an opinion on these financial statements of the grant agreement based on our audits.

We conducted our audits 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 Circular A-110. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements of the grant agreement are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements of the grant agreement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements of the grant agreement. We believe that our audits provide a reasonable basis for our opinion.

These financial statements present only the grant agreement activity between the State of Louisiana, Governor's Office of Urban Affairs and Development and Realization Incorporated and are not intended to present fairly the financial position and results of operations and cash flows of Realization Incorporated's entire operation.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Realization Incorporated's grant agreement with the State of Louisiana, Governor's Office of Urban Affairs and Development for the years ended June 30, 1999 and 1998, and its changes in net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the financial statements of the grant agreement between the State of Louisiana, Governor's Office of Urban Affairs and Development and Realization Incorporated. The accompanying supplementary information on pages 8 and 9 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits 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 July 29, 1999 on our consideration of Realization Incorporated's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

*Duplantier, Chapman, Hogan & Maper LLP*

REALIZATION INCORPORATED  
 STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
<b>ASSETS:</b>		
Cash - restricted	\$ 1,821	\$ 1,677
Prepaid insurance	3,350	2,836
Equipment (Note 1)	3,024	--
Accumulated depreciation	<u>(329)</u>	<u>--</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>7,866</u></b>	<b>\$ <u>4,513</u></b>
<b>LIABILITIES:</b>		
Accounts payable	\$ 1,794	\$ 1,650
Due to State of Louisiana, Governor's Office of Urban Affairs and Development (Note 5)	<u>27</u>	<u>27</u>
<b>Total liabilities</b>	<b><u>1,821</u></b>	<b><u>1,677</u></b>
<b>NET ASSETS: (Note 4)</b>		
Temporarily restricted	<u>6,045</u>	<u>2,836</u>
<b>Total net assets</b>	<b><u>6,045</u></b>	<b><u>2,836</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>7,866</u></b>	<b>\$ <u>4,513</u></b>

See accompanying notes.

REALIZATION INCORPORATED  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
UNRESTRICTED NET ASSETS:		
Net assets released from restrictions: (Note 5)		
Satisfaction of program requirements	\$ 26,791	\$ 20,013
Total net assets released from restrictions	<u>26,791</u>	<u>20,013</u>
Expenses: (Note 1)		
Program services (Page 9)	12,299	10,895
Supporting services:		
Administrative (Page 9)	<u>14,492</u>	<u>9,118</u>
Total expenses unrestricted net assets	<u>26,791</u>	<u>20,013</u>
Increase in unrestricted net assets	<u>—</u>	<u>—</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Grants (Note 3)	30,000	20,000
Net assets released from restrictions (Note 5)	<u>26,791</u>	<u>20,013</u>
Increase (decrease) in temporarily restricted net assets	<u>3,209</u>	<u>(13)</u>
INCREASE (DECREASE) IN NET ASSETS	3,209	(13)
Net assets at beginning of year	<u>2,836</u>	<u>2,849</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,045</u>	<u>\$ 2,836</u>

See accompanying notes.

REALIZATION INCORPORATED  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 3,209	\$ (13)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	329	---
(Increase) decrease in prepaid insurance	(514)	13
Increase (decrease) in due to State of Louisiana Governor's Office of Urban Affairs and Development	--	(1,014)
Increase (decrease) in accounts payable	<u>144</u>	<u>(95)</u>
Net cash provided (used) by operating activities	<u>3,168</u>	<u>(1,109)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	<u>(3,024)</u>	<u>--</u>
Net cash used by investing activities	<u>(3,024)</u>	<u>--</u>
 Net increase (decrease) in cash	144	(1,109)
Cash - beginning of period	<u>1,677</u>	<u>2,786</u>
CASH - END OF PERIOD	<u>\$ 1,821</u>	<u>\$ 1,677</u>

See accompanying notes.

REALIZATION INCORPORATED  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1999 AND 1998

ORGANIZATION:

Realization Incorporated was formed on January 10, 1975 to promote and effectuate the planning and delivery of social service programs including and incidental to services for the aged, housing, day care, adult education, pre-retirement assistance and research, employment and education in the city of New Orleans. As discussed in Note 1, these financial statements reflect only the grant agreement with the State of Louisiana, Governor's Office of Urban Affairs and Development.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Scope:

These financial statements do not reflect the total activities of Realization Incorporated. These financial statements reflect only the grant agreement between Realization Incorporated and the State of Louisiana, Governor's Office of Urban Affairs and Development.

Basis of Accounting and Presentation:

The financial statements are prepared on the accrual basis of accounting. Accordingly, revenue is recorded when earned and expenses are recorded when incurred.

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

The statement of activities presents expenses of the organization's operations functionally between program services and administrative services based on specific identification and contract labor.

Statement of Cash Flows:

As required by generally accepted accounting principles the financial statements include a statement of cash flows showing cash provided and used by operating, investment, and financing activities.

For purposes of implementing the cash flow statement, the organization has defined cash equivalents as those amounts included in the statement of financial position caption "Cash."

Income Taxes:

The organization has been determined to be tax exempt under Section 501(c)(3) of the Internal Revenue Code.



REALIZATION INCORPORATED  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1999 AND 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property and Equipment:

Equipment is stated at cost and is depreciated over the estimated useful life of five years using the straight line method of depreciation. For the years ended June 30, 1999 and June 30, 1998, depreciation expense was \$329 and \$-0-, respectively.

2. MANAGEMENT'S ESTIMATES AND ASSUMPTIONS:

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 reported period. Actual results could differ from those estimates; however, management does not feel that these differences will have a material adverse effect on its financial statements.

3. GRANT REVENUE:

The organization receives grant revenue from the State of Louisiana, Governor's Office of Urban Affairs and Development to perform services for the elderly. Total grant revenue for the years ended June 30, 1999 and 1998 amounted to \$30,000 and \$20,000, respectively.

Any amounts not expended are required to be returned to the State of Louisiana Governor's Office of Urban Affairs and Development. As of June 30, 1999 and 1998, the organization recorded a liability in the amount of \$27 and \$27, respectively, to the State of Louisiana, Governor's Office of Urban Affairs and Development.

4. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of prepaid insurance and equipment purchased with grant revenue from the State of Louisiana Governor's Office of Urban Affairs and Development. Temporarily restricted net assets amount to \$6,045 and \$2,836 as of June 30, 1999 and 1998, respectively.

5. NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets are released from temporary donor restrictions by incurring expenses satisfying the restricted purpose.

6. RECLASSIFICATIONS:

Certain items from 1998 have been reclassified to conform to the 1999 presentation. These reclassifications had no effect on the net assets of the organization.

REALIZATION INCORPORATED  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINANCIAL ASSISTANCE  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

<u>GRANTOR</u>	<u>PROGRAM DESCRIPTION</u>	<u>CONTRACT PERIOD</u>	<u>REVENUE</u>
State of Louisiana- Governor's Office of Urban Affairs and Development	To provide various services to the elderly	07/01/98 - 06/30/99	\$30,000
State of Louisiana- Governor's Office of Urban Affairs and Development	To provide various services to the elderly	07/01/97 - 06/30/98	\$20,000

REALIZATION INCORPORATED  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

	<u>1999</u>		TOTAL ALL FUNCTIONAL CATEGORIES
	<u>PROGRAM</u>	<u>ADMINISTRATIVE</u>	
EXPENSES:			
Audit	\$ 1,500	\$ --	\$ 1,500
Insurance - building	6,108	6,109	12,217
Contract labor	3,127	3,450	6,577
Bank charges	--	1	1
Workman's compensation insurance	1,198	1,297	2,495
Postage	--	13	13
Depreciation	--	329	329
Supplies	70	631	701
Utilities	214	1,923	2,137
Telephone	82	739	821
	<hr/>	<hr/>	<hr/>
TOTAL FUNCTIONAL EXPENSES	\$ <u>12,299</u>	\$ <u>14,492</u>	\$ <u>26,791</u>

	<u>1998</u>		TOTAL ALL FUNCTIONAL CATEGORIES
	<u>PROGRAM</u>	<u>ADMINISTRATIVE</u>	
EXPENSES:			
Audit	\$ 1,500	\$ --	\$ 1,500
Insurance - building	6,071	6,072	12,143
Contract labor	3,324	2,969	6,293
Bank charges	--	77	77
	<hr/>	<hr/>	<hr/>
TOTAL FUNCTIONAL EXPENSES	\$ <u>10,895</u>	\$ <u>9,118</u>	\$ <u>20,013</u>

See accompanying notes.

REALIZATION INCORPORATED  
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
FOR THE YEAR ENDED JUNE 30, 1999

July 29, 1999

Board of Directors  
Realization Incorporated  
1210 Franklin Ave.  
New Orleans, Louisiana 70117

We have audited the financial statements of Realization Incorporated's grant agreement with the State of Louisiana, Governor's Office of Urban Affairs and Development as of and for the year ended June 30, 1999, and have issued our report thereon dated July 29, 1999. 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 financial statements of Realization Incorporated's grant agreement with the State of Louisiana, Governor's Office of Urban Affairs and Development are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 Realization Incorporated'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.

This report is intended for the information of Realization Incorporated's Board of Directors, management, the Legislative Auditor and the State of Louisiana, Governors Office of Urban Affairs and Development. However, this report is a matter of public record and its distribution is not limited.

*Duplantier, Hapman, Hogan & Maher LLP*