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COMMUNITY OPPORTUNITIES OF EAST ASCENSION

FINANCIAL REPORT

JUNE 30, 1999

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Opportunities of East Ascension
Gonzales, Louisiana

I have audited the accompanying Statement of Financial Position of Community Opportunities of East Ascension (a non-profit corporation) as of June 30, 1999, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Opportunities of East Ascension as of June 30, 1999, 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*, I have also issued a report dated December 9, 1999, on my consideration of Community Opportunities of East Ascension internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

December 9, 1999

COMMUNITY OPPORTUNITIES OF EAST ASCENSION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 1999

ASSETS

Cash	$451,483
Accounts receivable	158,253
Prepaid expenses	5,169
Total current assets	614,905
Building and equipment, at cost less accumulated depreciation of $311,397 (Notes 1 and 4)	369,844
TOTAL ASSETS	$984,749

LIABILITIES

Accounts payable	$ 21,506
Accrued liabilities	31,106
Current maturities of long-term debt (Note 4)	10,050
Total current liabilities	62,662
Long-term debt (Note 4)	42,546
TOTAL LIABILITIES	105,208

NET ASSETS

Unrestricted	879,541
TOTAL LIABILITIES AND NET ASSETS	$984,749

See accompanying notes.

COMMUNITY OPPORTUNITIES OF EAST ASCENSION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 1999

UNRESTRICTED NET ASSETS	
Support	
Contract fees and grants from governmental agencies	$1,633,195
Fees from work programs	142,875
Contributions	28,647
Other revenue	2,155
TOTAL UNRESTRICTED SUPPORT	$1,806,872
Expenses	
Program services	
Adult day training	395,931
Adult and child support for independent living	1,256,707
Supporting services	
Management and general	41,820
TOTAL EXPENSES	1,694,458
INCREASE IN UNRESTRICTED NET ASSETS	112,414
NET ASSETS AT BEGINNING OF YEAR	767,127
NET ASSETS AT END OF YEAR	$ 879,541

See accompanying notes.

COMMUNITY OPPORTUNITIES OF EAST ASCENSION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 1999

	Program Services			Supporting Services	Total Expenses
	Adult Day Training	Adult and Child Support for Independent Living	Total	Management and General	
Salaries and payroll taxes	$285,616	$1,074,668	$1,360,284	$ 2,531	$1,362,815
Professional fees and contract services	17,441	30,832	48,273	601	48,874
Office supplies	9,000	8,597	17,597	3,861	21,458
Telephone	3,493	12,690	16,183	282	16,465
Occupancy	3,374	12,083	15,457	1,172	16,629
Transportation	15,602	10,579	26,181	-	26,181
Repair - building and equipment	7,388	8,584	15,972	301	16,273
Training supplies	6,308	12,820	19,128	12,626	31,754
Conferences, conventions, and meetings	1,772	1,316	3,088	7,954	11,042
Individual subsidy	-	13,964	13,964	-	13,964
Interest	-	-	-	4,418	4,418
Insurance	20,565	36,289	56,854	1,376	58,230
Other	1,576	7,653	9,229	5,780	15,009
TOTAL EXPENSES BEFORE DEPRECIATION	372,135	1,230,075	1,602,210	40,902	1,643,112
Depreciation of building and equipment	23,796	26,632	50,428	918	51,346
TOTAL EXPENSES	$395,931	$1,256,707	1,652,638	$41,820	$1,694,458

See accompanying notes.

COMMUNITY OPPORTUNITIES OF EAST ASCENSION

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 1999

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	$112,414
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	51,347
(Increase) Decrease in operating assets	
Accounts receivable	30,525
Prepaid expenses	(3,708)
Increase (Decrease) in operating liabilities	
Accounts payable	1,492
Accrued liabilities	(4,463)
NET CASH PROVIDED BY OPERATING ACTIVITIES	187,607
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments for property and equipment	(15,391)
NET CASH USED BY INVESTING ACTIVITIES	(15,391)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on bank loans	(7,805)
NET CASH USED BY FINANCING ACTIVITIES	(7,805)
NET INCREASE IN CASH AND CASH EQUIVALENTS	164,411
BEGINNING CASH AND CASH EQUIVALENTS	287,072
ENDING CASH AND CASH EQUIVALENTS	$451,483
SUPPLEMENTAL DISCLOSURES:	
Interest paid	$4,418

See accompanying notes.

COMMUNITY OPPORTUNITIES OF EAST ASCENSION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1999

Note 1. Significant Accounting Policies

Organization and Operations

Community Opportunities of East Ascension (the Organization), is a nonprofit corporation that is exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recorded as received, therefore, no reserve for uncollectible accounts has been established.

The Organization provides support services and training to individuals with mental retardation and developmental disabilities that live in East Ascension Parish and surrounding areas.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis. The significant accounting policies are described below to enhance the usefulness of the financial statements.

Financial statement presentation complies with the Financial Accounting Standards Board's *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 their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not have temporarily permanently restricted net assets.

The statement of activities presents expenses of the Organization's operations functionally between program services and management and general.

Note 1. Significant Accounting Policies (continued)

Buildings, Equipment, and Depreciation

Building and equipment is stated at cost, or, if donated, at the approximate fair market value at the date of donation. The Organization follows the policy of capitalizing all expenditures for land, buildings, and equipment in excess of $500. Depreciation of buildings and equipment is provided on a straight-line basis over the estimated useful life of the assets. At June 30, 1999, the estimated useful lives and costs of such assets were as follows:

	Life	Costs
Building	10-40 years	$412,175
Automobiles and trucks	3-5 years	152,052
Equipment	3-10 years	117,014
		681,241
Less Accumulated Depreciation		311,397
	TOTAL	$369,844

Depreciation expense was $51,346 for the year ended June 30, 1999.

Donated Materials and Services

Donated material and equipment valued in excess of $500 are reflected as contributions in the accompanying statements at their estimated values at date of receipt. Donated services are only recorded when the value of the services are utilized as matching funds for grant requirements. The value of these services are determined by the amounts paid to employees of the Organization or outside paid consultants for similar services.

Note 1. Significant Accounting Policies (continued)

Description of Programs

Adult Day Training - Training is provided by the staff to individuals with mental retardation and developmental disabilities over the age of 22 years. Basic work skills and attitudes, such as job responsibility, safety, attendance, and punctuality to secure and maintain a job in the marketplace are taught.

Adult and Child Support for Independent Living - The staff provides services such as personal care attendant, respite care, and skills training to individuals with developmental disabilities from birth to death so they, as well as their families, may achieve their fullest potential in life. This program is individually tailored to provide the support necessary for each individual to live as independently as possible.

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 benefitted.

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and accounts receivable. The Organization's cash is deposited with high credit quality financial institutions for short periods of time and is subject to minimal risk. Accounts receivable result primarily from services provided for state and government agencies. However, during 1999, bank balances exceeded security pledges. Historically, the Organization has not incurred any significant credit related losses.

Note 1. Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The carrying value of cash, receivables, accounts payable, and accrued liabilities approximate fair value due to the short-term maturity of these instruments. The carrying value of short and long-term debt approximates fair value based on the current rates offered for debt of comparable maturities and collateral requirements. None of the financial instruments are held for trading purposes.

Compensated Absences

Compensated absences for vacation and sick pay have not been accrued since the amount is immaterial.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Organization did not have any cash equivalents at June 30, 1999 and 1998.

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. Estimates are used primarily when accounting for depreciation.

Note 2. Support from Governmental Agencies

The Organization receives substantially all of its revenue from contracts with federal and state governmental agencies, primarily Medicaid and the Department of Health and Hospitals, State of Louisiana. A significant reduction in contractual services or change in participant eligibility, if this were to occur, would have a significant effect on the Organization's programs and activities. In excess of 90% of the Organization's account receivables and revenues are from governmental agencies.

Note 3. Long Term Lease

The land that the Organization's building is located on is leased from a governmental unit. The lease period is ninety-nine (99) years commencing on March 1, 1982 and ending of February 28, 2081. The yearly lease for the property is one dollar ($1.00) per year.

Note 4. Long-Term Debt

The Organization had long-term debt of $52,596 due December 7, 2003 secured by a mortgage on the Organization's building bearing interest at 8.25% with monthly payments of $1,187.

Maturities of long-term debt are as follows:

June 30,	Amount
2000	$10,050
2001	10,921
2002	11,857
2003	12,873
2004	6,895
	$52,596

Note 5. Subsequent Events

The Organization's operations and earnings may be affected by an adverse governmental action. Subsequent to June 30, 1999, the Louisiana Department of Social Services began performing services that had previously been contracted to the Organization. During the year ended June 30, 1999, the Organization received approximately $28,000 from this agency. The magnitude of this reduction to revenues is undeterminable at this time.

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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*

December 9, 1999

To the Board of Directors
Community Opportunities of East Ascension

I have audited the financial statements of Community Opportunities of East Ascension (a nonprofit corporation) as of and for the year ended June 30, 1999, and have issued my report thereon dated December 9, 1999. I conducted my 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 Community Opportunities of East Ascension financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Community Opportunities of East Ascension Organization's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting, which I have reported to management of Community Opportunities of East Ascension in a separate letter dated December 9, 1999.

This report is intended for the information of the audit committee, management of the Organization, federal and state contracting agencies and pass-through entities, and the Legislative Auditor and is not intended to be and should not be used by anyone else other than these specified parties.

Perry Jeff Smith, Jr.,
Certified Public Accountant

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December 9, 1999

To the Board of Directors
Community Opportunities of East Ascension
Gonzales, Louisiana

In planning and performing my audit of the financial statements of Community Opportunities of East Ascension (Organization) for the year ended June 30, 1999, I considered its internal control to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. I previously reported on the Organization's internal control in my report dated December 9, 1999. This letter does not affect my report dated December 9, 1999 on the financial statements of the Organization.

I will review the status of these comments during my next audit engagement. I have already discussed these comments and suggestions with various Organization personnel, and I will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. My comments are summarized on Attachment A.

This report is intended solely for the information and use of the Organization's management, the Louisiana Legislative Auditor, and others within the Organization.

Perry Jeff Smith, Jr.
Certified Public Accountant

OPERATIONAL RECOMMENDATIONS

ACCOUNTING 99-1

Observation: During the year ended June 30, 1999, the following items were found which relate to accounting:

- 25 audit adjustments were recorded. These adjustments were bookkeeping entries to correctly report activity of the Organization. Secondly, during our test of 50 disbursements, two instances of inadequate support were found. The disbursements related to the expenditure of petty cash.
- In addition, a van was sold during 1999 for $800. Based on our review of financial statements, the sale was not recorded. Based on an inquiry to management, it was determined that the $800 check was filed with other supportive information. Management subsequently made a deposit.
- A statement of financial position is reported to the Board of Directors on a monthly basis. This represents the only financial activity reported to the Board of Directors. The Board of Directors does not review financial activity relating to funding and subsequent expenditure, except for the annual audit report.

It appears that a major reason for these problems is due to a turnover in accounting personnel.

Recommendation: I recommend that the Organization hire an experienced accountant to manage various accounting cycles and financial reporting. In addition, I recommend that a complete financial statement presentation be developed for monthly Board of Director presentation.

Management's Corrective Action Plan: An accountant was hired in December, 1999, and will assist with the various aspects associated with the Organization's accounting cycles to include financial statement presentation.

OPERATING BUDGET 99-2

Observation: An operating budget for the Organization as a whole has not been prepared. However, the Organization does make appropriations for certain activities as determined by management and the Board of Directors.

Recommendation: I recommend that a comprehensive annual operating budget be developed to assist management with analyzing financial performance of the Organization. In addition, a comparison of actual and budgeted financial activity would assist the Board of Directors and management with analyzing current and projected performance.

Management's Corrective Action Plan: The recently hired accountant will be assigned the responsibility of preparing an operating budget for the year ended June 30, 2000. Management is committed to resolving this matter by the second quarter of 2000.

RETIREMENT BENEFITS 99-3

Observation: Currently, the Organization does not offer retirement benefits to its employees. A retirement plan is one benefit an employer can offer which enhances employee retention.

Recommendation: I recommend that the Organization review its position on employee benefits and determine potential retirement benefits it can offer.

Management's Corrective Action Plan: Management is currently reviewing various options to determine the most beneficial and affordable benefit plan to offer employees. Management intends to have a final decision made by June 30, 2000.

CASH MANAGEMENT 99-4

Observation: The Organization had a cash position at June 30, 1999 of approximately $451,500, which earned approximately $1,400.

In addition, the bank balance of approximately $497,400 at June 30, 1999 was not fully insured by FDIC insurance and securities pledged by the Organization's financial institution.

Recommendation: I recommend that an investment policy be developed by management to establish investment reserves in excess of operating needs. The policy should also define the types of investment the Organization will allow. A level of risk should be determined to identify a potential investment portfolio the Organization intends to establish.

The Organization should contact its financial institution to increase securities pledged to adequately secure funds held.

Management's Corrective Action Plan: Management contacted its financial institution and purchased certificates of deposit to earn interest on funds held. In addition, the Organization obtained additional security pledges to adequately secure funds held in its financial institution.

This matter is considered resolved.