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MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.

MER ROUGE, LOUISIANA

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FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION  
FOR THE YEAR ENDED  
MARCH 31, 1999

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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 NOV 03 1999

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
MARCH 31, 1999

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# JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.

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- Business & Financial Planning
- Tax Preparation & Planning
  - Individual & Partnership
  - Corporate & Fiduciary
- Bookkeeping & Payroll Services

September 28, 1999

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors,  
Morehouse Community Improvement Organization, Inc.  
Mer Rouge, Louisiana

We have audited the accompanying statement of financial position of the Morehouse Community Improvement Organization, Inc. as of and for the year ended March 31, 1999, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Agency'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; Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Morehouse Community Improvement Organization, Inc., as of March 31, 1999, and the changes in its net assets and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 28, 1999 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Morehouse Community Improvement Organization, Inc. taken as a whole. The accompanying financial information listed as supplementary financial information in the table of contents and the accompanying Schedule of Federal Awards for the year ended March 31, 1999, are presented for purposes of additional analysis as required by the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Nonprofit Organizations and are 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 stated in all material respects in relation to the financial statements taken as a whole.

*Johnston, Perry, Johnson & Associates, L.L.P.*

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

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September 28, 1999

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Morehouse Community Improvement Organization, Inc.  
Ruston, Louisiana

We have audited the financial statements of Morehouse Community Improvement Organization, Inc. as of and for the year ended March 31, 1999, and have issued our report thereon dated September 28, 1999. We conducted our audit in accordance with generally accepted accounting 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 Morehouse Community Improvement Organization, Inc.'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 non-compliance that are required to be reported under Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Morehouse Community Improvement Organization, Inc.'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. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Morehouse Community Improvement Organization, Inc. in the attached Schedule of Findings and Questioned Costs as items 98-1, 98-2 and 98-3.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Johnston, Perry, Johnson & Associates, L.L.P.*

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September 28, 1999

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

Board of Directors  
Morehouse Community Improvement Organization, Inc.  
Ruston, Louisiana

### Compliance

We have audited the compliance of Morehouse Community Improvement Organization, Inc. 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 March 31, 1999. Morehouse Community Improvement Organization, Inc.'s major federal programs are identified in the summary of auditors' 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 Morehouse Community Improvement Organization, Inc.'s management. Our responsibility is to express an opinion on Morehouse Community Improvement Organization, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted accounting standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Morehouse Community Improvement Organization, Inc.'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 of Morehouse Community Improvement Organization, Inc.'s compliance with those requirements.

In our opinion, Morehouse Community Improvement Organization, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 1999.

#### Internal Control Over Compliance

The management of Morehouse Community Improvement Organization, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Morehouse Community Improvement Organization, Inc.'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 the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to 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. However, we noted other matters involving the internal control over compliance that we have reported to the management of Morehouse Community Improvement Organization, Inc. in the attached Schedule of Findings and Questioned Costs as items 98-1, 98-2 and 98-3.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

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CERTIFIED PUBLIC ACCOUNTANTS



MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
 MER ROUGE, LOUISIANA  
 STATEMENT OF FINANCIAL POSITION  
 MARCH 31, 1999

ASSETS

CURRENT ASSETS

Cash in Bank		187,658
Accounts Receivable		
Grants	42,182	
Other	<u>18</u>	<u>42,200</u>

TOTAL CURRENT ASSETS 229,858

FIXED ASSETS

Furniture and Equipment (Net of Accumulated Depreciation)		<u>321,453</u>
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TOTAL ASSETS 551,311

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses		<u>165,426</u>
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TOTAL LIABILITIES 165,426

NET ASSETS

Unrestricted Net Assets		
Operations		( 14,501)
Fixed Assets		321,453
Temporarily Restricted		<u>78,933</u>

TOTAL NET ASSETS 385,885

TOTAL LIABILITIES AND NET ASSETS 551,311

The accompanying notes are an integral part of these financial statements.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
 MER ROUGE, LOUISIANA  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED MARCH 31, 1999

CHANGES IN UNRESTRICTED NET ASSETS

SUPPORT AND REVENUE

Support	
Grants	1,800,509
Interest Income - Grants	<u>1,011</u>

<u>TOTAL SUPPORT</u>	<u>1,801,520</u>
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Revenue	
Meal Income	9,979
In-Kind Receipts	363,100
Other Income	<u>10,330</u>

<u>TOTAL REVENUE</u>	<u>383,409</u>
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<u>RECLASSIFICATION OF NET ASSETS</u>	<u>21,067</u>
---------------------------------------	---------------

<u>TOTAL SUPPORT AND REVENUE</u>	<u>2,205,996</u>
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EXPENSES

Program Services	
Head Start	1,686,074
Child Care Food Program	253,822
Summer Child Care Program	<u>219,159</u>

<u>TOTAL PROGRAM SERVICES</u>	<u>2,159,055</u>
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Support Services	
General and Administrative	<u>193,347</u>

<u>TOTAL EXPENSES</u>	<u>2,352,402</u>
-----------------------	------------------

<u>(INCREASE) DECREASE IN UNRESTRICTED NET ASSETS</u>	<u>( 146,406)</u>
-------------------------------------------------------	-------------------

<u>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</u>	<u>-0-</u>
-----------------------------------------------------	------------

SUPPORT AND REVENUE

Grants	<u>-</u>
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<u>TOTAL SUPPORT</u>	<u>-0-</u>
----------------------	------------

<u>RECLASSIFICATION OF NET ASSETS</u>	<u>( 21,067)</u>
---------------------------------------	------------------

<u>INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS</u>	<u>( 21,067)</u>
-----------------------------------------------------------------	------------------

<u>INCREASE (DECREASE) IN TOTAL NET ASSETS</u>	<u>( 167,473)</u>
------------------------------------------------	-------------------

The accompanying notes are an integral part of these financial statements.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
STATEMENT OF ACTIVITIES (CONTINUED)  
FOR THE YEAR ENDED MARCH 31, 1999

<u>NET ASSETS - BEGINNING OF YEAR</u>	
Unrestricted	453,358
Temporarily Restricted	<u>100,000</u>
<u>TOTAL NET ASSETS - BEGINNING OF YEAR</u>	<u>553,358</u>
<u>NET ASSETS - END OF YEAR</u>	
Unrestricted	306,952
Temporarily Restricted	<u>78,933</u>
<u>TOTAL NET ASSETS - END OF YEAR</u>	<u>385,885</u>

The accompanying notes are an integral part of these financial statements.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
 MER ROUGE, LOUISIANA  
 STATEMENT OF FUNCTIONAL EXPENSES  
 MARCH 31, 1999

	HEAD START	CHILD CARE FOOD PROGRAM	SUMMER CHILD CARE	TOTAL PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	TOTAL EXPENSES
Salaries	630,339	92,800	139,234	862,373	116,352	978,725
Fringes	<u>284,997</u>	<u>7,094</u>	<u>8,929</u>	<u>301,020</u>	<u>40,375</u>	<u>341,395</u>
<u>TOTAL PERSONNEL</u>	<u>915,336</u>	<u>99,894</u>	<u>148,163</u>	<u>1,163,393</u>	<u>156,727</u>	<u>1,320,120</u>
Travel	22,364	1,380	3,055	26,799	3,136	29,935
Supplies	74,083	8,123	12,520	94,726	7,266	101,992
Food	-	114,085	23,864	137,949	-	137,949
Contractual	4,400	900	3,500	8,800	7,500	16,300
Other Costs	244,787	19,967	20,306	285,060	11,829	296,889
In-Kind Expenses	<u>363,100</u>	<u>-</u>	<u>-</u>	<u>363,100</u>	<u>-</u>	<u>363,100</u>
<u>TOTAL EXPENSES BEFORE DEPRECIATION</u>	<u>1,624,070</u>	<u>244,349</u>	<u>211,408</u>	<u>2,079,827</u>	<u>186,458</u>	<u>2,266,285</u>
<u>DEPRECIATION</u>	<u>62,004</u>	<u>9,473</u>	<u>7,751</u>	<u>79,228</u>	<u>6,889</u>	<u>86,117</u>
<u>TOTAL EXPENSES</u>	<u>1,686,074</u>	<u>253,822</u>	<u>219,159</u>	<u>2,159,055</u>	<u>193,347</u>	<u>2,352,402</u>

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.  
 CERTIFIED PUBLIC ACCOUNTANTS

The accompanying notes are an integral part of these financial statements.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
 MER ROUGE, LOUISIANA  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED MARCH 31, 1999

CASH FLOWS USED FOR OPERATING ACTIVITIES:

Change in Net Assets	(167,473)
Adjustments to Reconcile Changes in Net Assets to Net Cash Used for Operating Activities:	
Depreciation	86,117
(Increase) Decrease in Accounts Receivable	90,967
Increase (Decrease) in Accounts Payable and Accrued Expenses	( 9,047)
Net Cash Provided (Used) for Operating Activities	564

CASH FLOWS USED FOR INVESTING ACTIVITIES:

Purchase of Fixed Assets	( 16,042)
Net Cash Provided (Used) for Investing Activities	( 16,042)

NET INCREASE IN CASH AND CASH EQUIVALENTS ( 15,478)

CASH AND CASH EQUIVALENTS - MARCH 31, 1998 203,136

CASH AND CASH EQUIVALENTS - MARCH 31, 1999 187,658

SUPPLEMENTAL DATA

Interest Paid	-0-
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The accompanying notes are an integral part of these financial statements.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 1999

NOTE 1 - Summary of Significant Accounting Policies

A. Statement of Presentation:

The accompanying financial statements have been prepared on the accrual basis and conform to generally accepted accounting principles for not-for-profit organizations.

B. Organization:

Morehouse Community Improvement Organization, Inc. was organized to promote and develop economic opportunities for the people of Morehouse and West Carroll Parishes. The Agency is operated exclusively for charitable, educational, and scientific purposes. The main operation is a headstart program. The Agency is not a component unit of any other governmental organization.

C. 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.

D. Cash Equivalents:

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

E. Fixed Assets:

Fixed assets acquired by the Agency are considered to be owned by the Agency. However, State and Federal funding sources maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State and Federal governments have a reversionary interest in those assets purchased with its funds which have a cost of \$500 or more.

The Agency follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Depreciation is computed on a straight-line basis over the estimated service lives of the assets.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 1999

NOTE 1 - Summary of Significant Accounting Policies (Continued)

E. Fixed Assets: (Continued)

The following yearly lives have been assigned to the fixed assets:

Computer Equipment and Vehicles	5
Furniture, Fixtures and Equipment	7
Buildings	39

Net values are computed as follows:

Computer Equipment and Vehicles	415,224
Furniture, Fixtures and Equipment	365,024
Buildings	<u>128,167</u>
Total	908,415
Less: Accumulated Depreciation	<u>586,962</u>
<u>NET VALUE</u>	<u>321,453</u>

F. Contributions:

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

G. 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.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 1999

NOTE 1 - Summary of Significant Accounting Policies (Continued)

H. Cash in Bank:

All funds are in institutions insured by an agency of the Federal Government, the Federal Deposit Insurance Corporation. Government securities with a PAR value of \$95,000 have been pledged to secure amounts over \$100,000. The Agency had \$40,479 in the bank that was not insured by an agency of the federal government or a pledge of securities.

I. Related Party Transactions:

There were no related party transactions for the year ended March 31, 1999.

NOTE 2 - Funding Policies and Sources of Funds

The Agency receives its monies through various methods of funding. Most of the funds are received on a grant basis from federal, state and local sources. Under this method funds are received as needed or on a monthly or quarterly allocation of the total budget (grant) in advance of the actual expenditure. The Agency also receives funds as a reimbursement of actual expenditures, and upon a per unit of service provided method. The Agency also receives funds by contributions from both public and private sources.

Grants and contracts received for the period April 1, 1997 to March 31, 1999 are as follows:

<u>Funding Source</u>	<u>Revenue Recognized</u>
Federal	
Department of Health and Human Services (Includes \$1,011 of Interest Earned on Grant Funds)	1,452,649
Louisiana	
Department of Education	158,530
Department of Social Services	211,408



MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 1999

NOTE 3 - Grants Receivable

Grants receivable at March 31, 1999, consists of reimbursements for expenses incurred under the various grant programs. The following list presents grants receivable by fund at March 31, 1999:

Department of Social Services	-
Department of Education	19,287
Department of Health and Human Services	<u>22,895</u>
<u>TOTAL</u>	<u>42,182</u>

The reserve for bad debts is not material as management believes all receivables are fully collectible.

NOTE 4 - Board of Directors' Compensation

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

NOTE 5 - In-Kind Contributions

The Agency received various in-kind contributions during the year from private and public sources. These contributions have been reported as revenues, and the offsetting expenses have been reported in the financial statements.

NOTE 6 - Income Tax Status

The Agency, a non-profit corporation, is exempt from federal income taxation under Section 501(C)(3) of the Internal Revenue Code.

NOTE 7 - Accrued Leave

The Agency does not provide annual leave for its employees and therefore has no accrued annual leave.

NOTE 8 - Noncompliance Findings and Questioned Costs

The Agency receives funding/grants from various government agencies and such funding is subject to certain requirements and conditions. The items listed in the schedule of findings and questioned costs will be reviewed by the appropriate funding agency and a final resolution of the questioned costs will be made by such agency.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 1999

NOTE 9 - Financial Statement Presentation

The Agency has previously adopted the provisions of Statement of Financial Accounting Standards No. 116, Accounting for Contributions Received and Contributions Made and No. 117, Financial Statements of Not-for-Profit Organizations. Statement No. 116 requires the Agency to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. Statement No. 117 establishes standards for general purpose external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities, and a statement of cash flows. Before adoption of FASB No. 116 and No. 117, the Agency presented financial information on the basis of funds and account groups as in accordance with governmental generally accepted accounting principles.

NOTE 10 - Temporarily Restricted Net Assets

The Summer Child Care Program received funding in the amount of \$100,000 that will not be used until the summers of 1998 and 1999. This money is set aside as temporarily restricted net assets for the year ended March 31, 1999. A portion of the temporarily restricted net assets was reclassified to unrestricted, leaving \$78,933 as temporarily restricted.

SUPPLEMENTARY FINANCIAL INFORMATION

SCHEDULE I

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.

MER ROUGE, LOUISIANA

COMBINING BALANCE SHEET - ALL PROGRAMS

FOR THE YEAR ENDED MARCH 31, 1999

	<u>GENERAL</u>	<u>HEADSTART (HEW)</u>	<u>CHILD CARE FOOD PROGRAM</u>	<u>SUMMER CHILD CARE</u>	<u>FIXED ASSETS AND PROPERTY</u>	<u>INTERFUND ELIMINATION</u>	<u>TOTAL MEMORANDUM ONLY</u>
<u>CURRENT ASSETS</u>							
Cash	36	42,995	65,292	79,335	-	-	187,658
Accounts Receivable - Grants	-	22,895	19,287	-	-	-	42,182
Accounts Receivable - Other	-	-	18	-	-	-	18
Due from Other Funds	-	<u>118,869</u>	-	-	-	<u>(118,869)</u>	-
<u>TOTAL CURRENT ASSETS</u>	<u>36</u>	<u>184,759</u>	<u>84,597</u>	<u>79,335</u>	<u>-0-</u>	<u>(118,869)</u>	<u>229,858</u>
<u>FIXED ASSETS AND PROPERTY</u>							
Furniture and Equipment at Cost, Net	-	-	-	-	<u>321,453</u>	-	<u>321,453</u>
<u>TOTAL ASSETS</u>	<u>36</u>	<u>184,759</u>	<u>84,597</u>	<u>79,335</u>	<u>321,453</u>	<u>(118,869)</u>	<u>551,311</u>

SCHEDULE I  
(Continued)

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
COMBINING BALANCE SHEET - ALL PROGRAMS (CONTINUED)  
FOR THE YEAR ENDED MARCH 31, 1999

	<u>GENERAL</u>	<u>HEADSTART (HEW)</u>	<u>CHILD CARE FOOD PROGRAM</u>	<u>SUMMER CHILD CARE</u>	<u>FIXED ASSETS AND PROPERTY</u>	<u>INTERFUND ELIMINATION</u>	<u>TOTAL MEMORANDUM ONLY</u>
<u>CURRENT LIABILITIES</u>							
Accounts Payable and Accrued Expenses	-	145,548	19,533	345	-	-	165,426
Due to Other Funds	-	<u>37,003</u>	<u>81,866</u>	-	-	<u>(118,869)</u>	-
<u>TOTAL LIABILITIES</u>	<u>-0-</u>	<u>182,551</u>	<u>101,399</u>	<u>345</u>	<u>-0-</u>	<u>(118,869)</u>	<u>165,426</u>
<u>NET ASSETS</u>							
Unrestricted Net Assets	36	2,208	( 16,802)	57	-	-	( 14,501)
Operations	-	-	-	-	321,453	-	321,453
Fixed Assets and Property	-	-	-	-	-	-	-
Temporarily Restricted Net Assets	-	-	-	<u>78,933</u>	-	-	<u>78,933</u>
<u>TOTAL NET ASSETS</u>	<u>36</u>	<u>2,208</u>	<u>( 16,802)</u>	<u>78,990</u>	<u>321,453</u>	<u>-0-</u>	<u>385,885</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>36</u>	<u>184,759</u>	<u>84,597</u>	<u>79,335</u>	<u>321,453</u>	<u>(118,869)</u>	<u>551,311</u>

SCHEDULE II

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.

MER ROUGE, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - (GRANTOR BASIS)  
FOR THE YEAR ENDED MARCH 31, 1999

	GENERAL	HEADSTART (HEW)	CHILD CARE FOOD PROGRAM	SUMMER CHILD CARE	FIXED ASSETS	TOTAL (MEMORANDUM ONLY)
<u>SUPPORT AND REVENUE</u>						
Grants - HEW	-	1,451,638	-	-	-	1,451,638
Grants - USDA Food Services	-	-	158,530	-	-	158,530
Grants - Summer Child Care	-	-	-	190,341	-	190,341
Lunch Receipts	-	-	9,979	-	-	9,979
In-Kind Contributions	-	363,100	-	-	-	363,100
Interest	-	1,011	-	-	-	1,011
Other	-	10,330	-	-	-	10,330
Reclassification of Net Assets	-	-	-	21,067	-	21,067
	<u>-0-</u>	<u>1,826,079</u>	<u>168,509</u>	<u>211,408</u>	<u>-0-</u>	<u>2,205,996</u>
	<u>TOTAL SUPPORT AND REVENUE</u>					
<u>EXPENSES</u>						
Personnel	-	746,691	92,800	139,234	-	978,725
Fringe Benefits	-	325,372	7,094	8,929	-	341,395
Travel	-	25,500	1,380	3,055	-	29,935
Contractual	-	11,900	900	3,500	-	16,300
Supplies	-	81,349	8,123	12,520	-	101,992
Other Costs	-	256,616	19,967	20,306	-	296,889
Food	-	-	114,085	23,864	-	137,949
Capital Outlay	-	13,983	2,059	-	-	16,042
In-Kind Expenditures	-	363,100	-	-	-	363,100
Depreciation	-	-	-	-	86,117	86,117
	<u>-0-</u>	<u>1,824,511</u>	<u>246,408</u>	<u>211,408</u>	<u>86,117</u>	<u>2,368,444</u>
	<u>TOTAL EXPENSES</u>					

SCHEDULE II

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.

MER ROUGE, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS - (GRANTOR BASIS)  
FOR THE YEAR ENDED MARCH 31, 1999

	<u>GENERAL</u>	<u>HEADSTART (HEW)</u>	<u>CHILD CARE FOOD PROGRAM</u>	<u>SUMMER CHILD CARE</u>	<u>FIXED ASSETS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
<u>EXCESS REVENUE OVER EXPENDITURES</u>	-0-	1,568	( 77,899)	-0-	( 86,117)	( 162,448)
<u>NET ASSETS - BEGINNING OF YEAR</u>	36	640	61,097	100,057	391,528	553,358
<u>RECLASSIFICATION OF NET ASSETS</u>	-0-	-0-	-0-	( 21,067)	-0-	( 21,067)
<u>ACQUISITION OF PROPERTY</u>	-0-	-0-	-0-	-0-	16,042	16,042
<u>NET ASSETS - END OF YEAR</u>	<u>36</u>	<u>2,208</u>	<u>( 16,802)</u>	<u>78,990</u>	<u>321,453</u>	<u>385,885</u>

SCHEDULE III

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
 MER ROUGE, LOUISIANA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED MARCH 31, 1999

<u>FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Disbursements/ Expenditures</u>
<u>Department of Agriculture</u> State of Louisiana/ Department of Education Child Care Food Program FYE September 30, 1999	10.550	N/A	246,408
<u>Department of Health and Human Services</u> *Head Start	13.600	N/A	1,461,411
<u>Louisiana Department of Social Services</u> Summer Child Care Program	93.596	N/A	211,408

\*Major Federal Program



MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 1999

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Morehouse Community Improvement Organization, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

NOTE 2 SUBRECIPIENTS

Morehouse Community Improvement Organization, Inc. did not provide federal awards to subrecipients.

SCHEDULE IV

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
COMPENSATION TO BOARD MEMBERS  
FOR THE YEAR ENDED MARCH 31, 1999

No compensation was paid any board member during the year under audit.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED MARCH 31, 1999

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

\* Material weakness(es) identified?           \_\_\_ yes X no

\* Reportable condition(s) identified that  
are not considered to be material  
weaknesses?                                   X yes \_\_\_ no

Noncompliance material to financial  
statements noted?                           \_\_\_ yes X no

Federal Awards

Internal control over major programs:

\* Material weakness(es) identified?           \_\_\_ yes X no

\* Reportable condition(s) identified that  
are not considered to be material  
weaknesses?                                   X yes \_\_\_ no

Type of auditors' report issued on compliance for major programs:  
Unqualified

Any audit findings disclosed that are  
required to be reported in accordance  
with section 510(a) of Circular A-133?   \_\_\_ yes X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
13.600	Department of Health & Human Services - Head Start

Dollar threshold used to distinguish  
between type A and type B programs:       \$300,000

Auditee qualified as low-risk auditee?   \_\_\_ yes X no

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED MARCH 31, 1999

SECTION II - FINANCIAL STATEMENT FINDINGS

98-1

Criteria: All funds in financial institutions should be insured by an agency of the federal government, the Federal Deposit Insurance Corporation.

Condition: FDIC insures up to \$100,000 in financial institutions. Amounts over this should be insured. Government securities with a PAR value of \$95,000 have been pledged to secure amounts over \$100,000 for the Agency. There is still \$40,479 that is uninsured by government agencies.

Questioned Costs: None

Context: The Agency should obtain additional government securities to insure all funds held in institutions.

Effect: This has no effect on the financial statements.

Cause: Management did not realize they were uninsured.

Recommendation: We recommend that the Agency obtain additional securities to insure all funds held in institutions.

Response: Management agrees with this recommendation, and as of the end of field work, management has obtained additional securities to insure all funds in institutions.

98-2

Criteria: In-kind expenditures records should be updated periodically and reviewed in a timely manner after the close of the fiscal year end to ensure that all documentation was obtained to support the total federal matching portion required by the Department of Health and Human Services.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED MARCH 31, 1999

Condition: We noted that all of the documentation for federal in-kind expenditures was not received and reconciled in a timely manner after the close of the fiscal year. The documentation was not received and recorded until the close of field work.

Questioned Costs: None

Context: The Agency is required to match a portion of federal funds received from the Department of Health and Human Services through non-federal sources, such as volunteer workers and donated space. Documentation for workers, space, etc. should be received and reconciled in a timely manner.

Effect: There is no effect on the financial statements. There is an effect on internal controls.

Cause: Management has difficulty getting the documentation for various programs and the accounting department does not reconcile the documentation in a timely manner.

Recommendation: We recommend that the accounting department review and record non-federal receipts documentation monthly to ensure that all required documentation is received, and that the Agency will match the required non-federal share.

Response: Management agrees with this recommendation.

98-3

Criteria: An adequate set of financial statements should be maintained by the Agency and personnel should be adequately trained to maintain the financial statements.

Condition: We noted that the financial statements were not properly maintained during the year.

Questioned Costs: None

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED MARCH 31, 1999

Context: OMB Circular A-133 requires that agencies that receive federal funds maintain a proper set of financial statements.

Effect: This has no effect on the financial statements.

Cause: During the year, the Agency switched computer programs. The accounting department was not familiar with the new program and switching mid-year caused problems.

Recommendation: We recommend that the accounting department receive training on the new computer program to help maintain proper financial statements. We also recommend that the accounting staff take university level courses and work toward obtaining an accounting degree.

Response: Management agrees with this recommendation.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

98-1

Criteria: All funds in financial institutions should be insured by an agency of the federal government, the Federal Deposit Insurance Corporation.

Condition: FDIC insures up to \$100,000 in financial institutions. Amounts over this should be insured. Government securities with a PAR value of \$95,000 have been pledged to secure amounts over \$100,000 for the Agency. There is still \$40,479 that is uninsured by government agencies.

Questioned Costs: None

Context: The Agency should obtain additional government securities to insure all funds held in institutions.

Effect: This has no effect on the financial statements.

Cause: Management did not realize they were uninsured.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED MARCH 31, 1999

Recommendation: We recommend that the Agency obtain additional securities to insure all funds held in institutions.

Response: Management agrees with this recommendation, and as of the end of field work, management has obtained additional securities to insure all funds in institutions.

98-2

Criteria: In-kind expenditures records should be updated periodically and reviewed in a timely manner after the close of the fiscal year end to ensure that all documentation was obtained to support the total federal matching portion required by the Department of Health and Human Services.

Condition: We noted that all of the documentation for federal in-kind expenditures was not received and reconciled in a timely manner after the close of the fiscal year. The documentation was not received and recorded until the close of field work.

Questioned Costs: None

Context: The Agency is required to match a portion of federal funds received from the Department of Health and Human Services through non-federal sources, such as volunteer workers and donated space. Documentation for workers, space, etc. should be received and reconciled in a timely manner.

Effect: There is no effect on the financial statements. There is an effect on internal controls.

Cause: Management has difficulty getting the documentation for various programs and the accounting department does not reconcile the documentation in a timely manner.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED MARCH 31, 1999

Recommendation: We recommend that the accounting department review and record non-federal receipts documentation monthly to ensure that all required documentation is received, and that the Agency will match the required non-federal share.

Response: Management agrees with this recommendation.

98-3

Criteria: An adequate set of financial statements should be maintained by the Agency and personnel should be adequately trained to maintain the financial statements.

Condition: We noted that the financial statements were not properly maintained during the year.

Questioned Costs: None

Context: OMB Circular A-133 requires that agencies that receive federal funds maintain a proper set of financial statements.

Effect: This has no effect on the financial statements.

Cause: During the year, the Agency switched computer programs. The accounting department was not familiar with the new program and switching mid-year caused problems.

Recommendation: We recommend that the accounting department receive training on the new computer program to help maintain proper financial statements. We also recommend that the accounting staff take university level courses and work toward obtaining an accounting degree.

Response: Management agrees with this recommendation.



MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.  
MER ROUGE, LOUISIANA  
CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS  
MARCH 31, 1999

- Finding: We found that some employee time cards are not being signed by the employee.
- Status: Time cards were signed by employees for months after we made the recommendation.
- Finding: We noted that there was no formal classification made of exempt or non-exempt employees. We noted that no policy existed to pay employees who are non-exempt one-and-one-half times their normal hourly rate for all hours worked over forty per week.
- Status: The Board of Directors appointed a committee to clarify the above. It appears that all non-salaried employees are paid one-and-one-half times their hourly rate.
- Finding: While payroll time cards were kept by each employee, we could not locate any records that detailed the time spent on the Summer Child Care Program (SCCP) versus other programs for those employees who worked on more than one program.
- Status: Records are now separated by time spent on the Summer Child Care Program (SCCP) versus other programs.
- Finding: FDIC insures up to \$100,000 in financial institutions. Amounts over this should be insured. Government securities with a PAR value of \$95,000 have been pledged to secure amounts over \$100,000 for the Agency. There is still \$64,310 that is uninsured by government agencies.
- Status: The Agency is still uninsured by \$40,479 by government agencies.