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BAYOU COUNCIL ON ALCOHOLISM, INC.  
FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT  
AND REPORTS ON INTERNAL CONTROL  
AND OTHER COMPLIANCE REPORTS  
JUNE 30, 1999

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Under provisions of state law, this report is a public document. A copy of the report has been furnished to the audited, or related, entity and other appropriate 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 1-26-2000

BAYOU COUNCIL ON ALCOHOLISM, INC.

JUNE 30, 1999

FINANCIAL STATEMENTS

AND

AUDITOR'S REPORT

# Joseph P. Kolwe

Certified Public Accountant

(A Professional Corporation)

102-B East Bayou Road (Hwy. 308) Suite Two • Thibodaux, Louisiana 70301 • (504)447-5474 • Fax(504)447-5476

## INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS

To the Executive Committee of  
Bayou Council on Alcoholism, Inc.

I have audited the accompanying statement of financial position of Bayou Council on Alcoholism, Inc. (a non-profit organization) doing business as Bayou Council on Alcoholism and Drug Abuse, as of June 30, 1999, and the related statement 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 the audit in accordance with generally accepted auditing standards, Governmental Auditing Standards, issued by the Comptroller General of the United States, and the Louisiana Governmental Audit Guide. 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 the 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 Bayou Council on Alcoholism, Inc. 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 10, 1999, on my consideration of Bayou Council on Alcoholism, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.



Joseph P. Kolwe, C.P.A.  
(A Professional Corporation)

Thibodaux, LA  
December 10, 1999

BAYOU COUNCIL ON ALCOHOLISM, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 1999

ASSETS

Current Assets:	
Cash	\$ 254
Grants receivable (Note D)	38,303
	-----
Total current assets	\$ 38,557
	-----
Fixed Assets:	
Land	\$ 33,000
Equipment at cost or donated value less accumulated depreciation of \$19,345 (Note H)	18,684
	-----
Total fixed assets	\$ 51,684
	-----
Other Assets:	
Program/Workbooks & Materials	17,060
	-----
TOTAL ASSETS	\$107,301
	=====

LIABILITIES AND NET ASSETS

Current Liabilities:	
Notes Payable (Note J)	\$ 49,264
Accounts Payable	9,102
Unearned income (Note I)	1,100
Due to Employee	1,000
Accrued Interest	103
	-----
Total Current Liabilities/Total Liabilities	\$ 60,569
Net Assets:	
Unrestricted net assets	46,732
	-----
TOTAL LIABILITIES AND NET ASSETS	\$107,301
	=====

(THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS)

BAYOU COUNCIL ON ALCOHOLISM, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 1999

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE:</b>				
Support:(Note E)				
Grants from government agencies	\$192,779	\$ --	\$ --	\$192,779
United Way grant	--	71,082	--	71,082
Donated facilities	7,400	--	--	7,400
Donated services	5,356	--	--	5,356
Other contributions	325	--	--	325
	-----	-----	-----	-----
Total support	205,860	71,082	--	276,942
	-----	-----	-----	-----
Revenue:				
Alcohol Information School	49,800	--	--	49,800
Membership dues	1,375	--	--	1,375
	-----	-----	-----	-----
Total revenue	51,175	--	--	51,175
	-----	-----	-----	-----
Net assets released from restrictions; satisfaction of usage restrictions	71,082	< 71,082 >	--	--
	-----	-----	-----	-----
Total support and revenue	328,117	--	--	328,117
	-----	-----	-----	-----
<b>EXPENSES:</b>				
Program services:				
Community Awareness	140,073	--	--	140,073
Families in Focus	76,368	--	--	76,368
High Risk Youth	14,711	--	--	14,711
Parenting Education	27,240	--	--	27,240
Alcohol Information School	34,368	--	--	34,368
	-----	-----	-----	-----
Total program services	292,760	--	--	292,760
Management and general	34,760	--	--	34,760
	-----	-----	-----	-----
Total expenses	327,520	--	--	327,520
	-----	-----	-----	-----
Changes in net assets	597	--	--	597
Net assets, beginning of year	46,135	--	--	46,135
	-----	-----	-----	-----
Net assets, end of year	\$ 46,732	\$ --	\$ --	\$ 46,732
	=====	=====	=====	=====

(THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.)



BAYOU COUNCIL ON ALCOHOLISM, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 1999

	COMMUNITY AWARENESS	FAMILIES IN FOCUS	HIGH RISK YOUTH	PARENTING EDUCATION	AIS	TOTAL PROGRAM	GENERAL AND ADMIN.	TOTAL EXPENSES
SALARIES	82,159	32,642	5,827	17,741	15,865	154,234	8,118	162,352
EMPLOYEE HEALTH INSURANCE	-	-	-	-	-	-	5,336	5,336
PAYROLL TAXES, ETC.	8,905	2,701	473	1,458	1,312	14,849	781	15,630
TOTAL SALARIES AND RELATED EXPENSES	91,064	35,343	6,300	19,199	17,177	169,083	14,235	183,318
INSTRUCTORS/CONSULTANT/ FACILITATORS	-	28,940	2,450	1,935	4,400	35,725	-	35,725
DONATED SERVICES	-	-	-	-	-	-	5,356	5,356
SUPPLIES - OFFICE	4,197	643	150	240	534	5,764	641	6,405
TELEPHONE	4,171	2,628	484	930	917	8,130	1,014	10,144
POSTAGE	1,043	123	32	40	586	1,824	203	2,027
RENT-OFFICE SPACE	4,775	4,397	882	1,698	1,675	13,427	1,492	14,919
CLASSROOM RENT & CLEANING	-	-	-	-	4,400	4,400	-	4,400
RENT-EQUIPMENT	1,312	1,312	314	669	461	4,068	452	4,520
TRAVEL	1,208	673	1,663	351	233	4,128	459	4,587
PRINTING AND PUBLICATION	2,162	340	-	126	317	2,945	327	3,272
SECURITY FEE	-	-	-	-	1,485	1,485	-	1,485
ACCOUNTING	1,800	1,800	450	900	900	5,850	650	6,500
EDUCATIONAL SUPPLIES, FILMS, WORKSHOPS	5,019	163	1,137	-	-	6,319	-	6,319
UTILITIES	1,572	1,571	404	735	776	5,058	562	5,620
REPAIRS & MAINTENANCE	1,333	-	-	-	-	1,333	148	1,481
MISCELLANEOUS	1,465	18	28	-	90	1,601	178	1,779
INSURANCE	417	417	417	417	417	2,085	231	2,316
DUES	639	-	-	-	-	639	71	710
LICENCE	-	-	-	-	-	-	605	605
DIRECT COSTS-SYNAR PROGRAM	15,350	-	-	-	-	15,350	-	15,350
DIRECT COSTS-HIGH IMPACT PROGRAM	2,546	-	-	-	-	2,546	-	2,546
INTEREST	-	-	-	-	-	-	2,288	2,288
TOTAL EXPENSES BEFORE DEPRECIATION	140,073	76,368	14,711	27,240	34,368	292,760	28,912	321,672
DEPRECIATION	-	-	-	-	-	-	5,848	5,848
TOTAL	140,073	76,368	14,711	27,240	34,368	292,760	34,760	327,520

(5)

(THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS)

BAYOU COUNCIL ON ALCOHOLISM, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 1999

CASH FLOWS USED FOR OPERATING ACTIVITIES:

Change in net assets	\$	597
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation		5,848
Increase in prepaid items	<	15,569>
Decrease in accounts payable	<	704>
Increase in notes payable		24,264
Decrease in grant receivable		19,913
Increase in payable to employee		1,000
Decrease in employee receivable		500
Increase in unearned income		100
Other net changes		75
		-----
Net cash provided from operating activities		36,024
		-----

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of land	<	33,000>
Acquisition of equipment	<	3,983>
		-----
Net cash used by investing activities	<	36,983>
		-----
NET DECREASE IN CASH	<	959>
		-----
CASH - June 30, 1998		1,213
		-----
CASH - JUNE 30, 1999	\$	254
		=====

(THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS)

BAYOU COUNCIL ON ALCOHOLISM, INC.  
Notes to Financial Statements  
Period Ended June 30, 1999

A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Bayou Council on Alcoholism, Inc., (BCOA), (the Council) serves Lafourche Parish and surrounding cities and parishes under the name Bayou Council on Alcoholism and Drug Abuse. It serves this area through several programs. Its Community Awareness Program is an effort to make the public more aware of and to try to limit the problems and destruction caused by alcohol and other drugs. For the period ended June 30, 1999, Community Awareness also included a program to prevent minors from being able to purchase cigarettes and to reduce underage drinking. Through its Families in Focus Program, BCOA provides a family education program to improve communication skills and strengthen families identified as having high risk of possible exposure to the detrimental effects of alcohol and drug abuse. The Family in Focus program consists of weekly seminars for 12 weeks. Also, the Council provides information to schools and presentations to selected grade levels of school children and the general public on alcohol and drugs through its High Risk Youth Program. The Parenting Education Program consists of teaching parenting skills to parents and assist parents in developing new ideas and techniques which they can utilize in improving their relationship with their children. These programs are funded through a combination of various grants from the United Way, grants/contracts with the State of Louisiana that reimburses qualified expenses, unrestricted grants received from the Lafourche Parish Council, from funds generated by the Council's Alcohol Information School (AIS), and membership dues.

In December of 1997, the Council opened a satellite office in Franklin, LA, to bring the above listed programs to St. Mary Parish.

Attendees of the AIS school are mostly citizens who have been charged with driving while intoxicated and are referred to the Council's AIS by City and State courts. Funding for the AIS is primarily from tuition paid by the student of \$100 and a \$25 registration fee. An AIS is typically a classroom lecture and film presentation presented on three consecutive nights. This program is operated in Lafourche Parish only.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Certain financial statement presentations and financial reporting has been changed from the methods used in prior years. (See Note B)



### Contributions

All contributions are considered 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. Contributions, including unconditional promises to give, are recorded as made. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

### Fixed Assets

BCOA follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$300. The fair value of donated fixed assets is similarly capitalized. Depreciation is computed on a straight-line basis over the useful lives of the assets.

The net fixed asset balance has been recorded as a separate component in unrestricted net assets.

### Fund Raising

Costs incurred in connection with obtaining and renewing state contracts/grants and United Way awards are included with the cost to administer the programs for which said funding is used and or general and administrative expenses in some instances. Management has determined that those cost are incidental to the reporting cost already associated with the current year awards. Other fund raising activities primarily involve membership renewal which management has determined to be too minor to warrant separate functional expense allocation.

### 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 benefited. Employees' salaries, fringe benefits, and certain other administrative expenses have been allocated among programs and supporting service classifications based on time sheets submitted by employees. Whenever practical, expenses are allocated directly to the program or supporting service classification to which it relates.

### Estimates

The preparation of financial statements in conformity with general 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.

### Income Taxes

No provision for income taxes has been made. The Internal Revenue Service has issued the Bayou Council on Alcoholism, Inc. an advanced ruling letter exempting the Council from income taxes. (See Note C)

### Financial Statements Presentation and Financial Reporting

BCOA reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions, as such, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

### B) CONCENTRATIONS OF SUPPORT

The support BCOA receives is concentrated in the State Grants that reimburse qualified expenses, including employee salaries, and support from the United Way. During the year ended June 30, 1999, the grants reimbursing qualified expenses totaled \$188,679, and support from the United Way totaled \$71,082.

There is a risk that the grants and United Way funding could be reduced or eliminated. If that should occur, substantial reduction in programs provided could result since the Council is economically dependent on that support to continue operating all programs. (See notes E and L.)

### C) INCOME TAXES

The Bayou Council on Alcoholism, Inc. is a non-profit corporation organized under the laws of the State of Louisiana. The Internal Revenue Service has recognized the Council as being exempt from income taxes under Internal Revenue Code Section 501(c)(3). The

Internal Revenue Service has further determined the Council not to be a private foundation as within the meaning of Internal Revenue Code Section 509(a). Contributions to the Council are deductible as provided by Section 170 of the Internal Revenue Code. The Council is not involved in any trade or businesses unrelated to the purpose for which it received its exemption from income taxes.

D) GRANTS RECEIVABLE-\$38,303

As of June 30, 1999, the Council had a grant receivable from the State of Louisiana Department of Health and Hospitals in the amount of \$38,303. This receivable represent claims submitted for reimbursement as provided by various grants. The above listed receivables were collected in the subsequent period.

E) SUPPORT

Grants from Governmental Agencies-\$192,779

Louisiana Department of Health and Hospitals--\$188,679.

During the year ended June 30, 1999, the Council recognized as support the funding it received from the Louisiana Department of Health and Hospitals by means of contracts that reimburse qualified expenses incurred in connection with services that BCOA provides. The grants were part of a Federal Block Grant received by the State. During this period, the Council recognized \$188,679 in connection with four grants covering the period July 1, 1998, through June 30, 1999.

Local Governmental Agencies--\$4,100

During the year ended June 30, 1998, the Council received \$1,600 in funding from the City Court of Thibodaux and \$2,500 in funding from the Lafourche Parish Council. There were no restrictions on the City Court of Thibodaux grant nor the Lafourche Parish Council grant and, therefore, they are included as unrestricted funds when received.

United Way--\$71,082

During the year ended June 30, 1999, the Council was funded by the United Way. The Council received \$40,011 in connection with the 1998 calendar year grant and \$31,071 in connection with the 1999 calendar year grant. The awards are generally paid in monthly installments and are not considered unconditional.



There were some restrictions as to use as well as conditions on receiving the funds. As such, the Council included the \$71,082 as temporarily restricted funds when received. Those funds were transferred to the unrestricted category when the restrictions were met.

As of June 30, 1999, the Council has a conditional promise that the United Way will provide an additional \$36,429 in support by December 31, 1999, under the 1999 United Way calendar year grant.

Donated facilities-\$7,400

The alcohol information schools conducted in Thibodaux during the fiscal year were presented in classrooms at a local school. The school did not charge any rent for the use of its classroom. Management has estimated it received a value of \$2,400 during the year for the free use of these facilities. Also, the Council was provided with the use of a below market rate office space in Franklin, LA. Management has determined it received a value of \$5,000 of support for the below market rent. Rent expense has been recorded as functional expenses for programs equal to the support received.

Donated services--Lafourche Parish Council on Aging-\$5,356

During the year ended June 30, 1999, the Council received the services of a part time employee on a regular basis. The Lafourche Council on Aging paid the salary for this employee with funds from a Federal Grant. The value of these services for the period was \$5,356 and is recorded as support and expenses in the accompanying financial statements. Said services are treated as supporting all the programs equally as general and administrative expenses. Said value was determined based on detailed time records and on an appropriate hourly rate.

F) DONATED EQUIPMENT, MATERIALS, AND SERVICES

The Council's policy is to record donated material and equipment as contributions at their estimated values on the date received when the value of the amount received is material to the financial statements. However, for the year ended June 30, 1999, the Council did not receive any donated materials or equipment that was considered to be of an amount material to the financial statements. Other than the donated services referred to in Note E, no amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, some volunteers have donated significant amounts of their time to the Council's program services and to its membership drive.

G) LEASES

The council entered into a lease for office space in Franklin, LA, for administering its programs in St. Mary Parish. The lease allows 12 months free rent commencing December 1997 and then requires payment of \$125 per month for 36 additional months. (See Note E - donated facilities for details of office space provided at below market rates.) (See Note L)

The Council entered a 5-year lease for its Thibodaux office space for the period December 1996 through November 2001. Future lease obligations at June 30, 1999, were as follows:

YEAR	THIBODAUX OFFICE SPACE	FRANKLIN OFFICE SPACE	TOTAL
06/30/00	10,375	1,500	11,875
06/30/01	4,375	1,500	5,875
06/30/02	--	625	625
06/30/03	--	--	--
06/30/04	--	--	--
	-----	-----	-----
Total	\$14,750	\$3,625	\$18,375

H) FIXED ASSETS

Fixed assets acquired by BCOA are considered to be owned by BCOA. The assets consist of office furniture, fixture, and equipment. The assets are depreciated over a five-year life using straight-line depreciation. Fixed assets are recorded at historical cost for items purchased. Donated fixed assets are recorded at estimated fair market value and depreciated over their remaining useful lives. Fully depreciated assets still in service at year-end totaled \$6,548.

During the year ended June 30, 1999, the Council purchased and capitalized \$3,983 of fixed assets and that amount was reimbursed to the Council under the various state grants that were in effect. The equipment is therefore considered to be purchased with funds from the grants. Grant provisions provide that equipment purchased with funds from the grant be transferred back to the state when the Council no longer provides contract services to the state. As of June 30, 1999, the total recorded costs of fixed assets purchased with grant funds including the current year additions is \$21,424.



## Land acquisition

The Council purchased in October 1998, a vacant lot that is next to the office space it leases in Thibodaux. The council has no specific plans for the real estate at this time. The cost was \$33,000 and was financed by drawing on a line of credit at a local bank.

## I) UNEARNED INCOME

Tuition collected from Alcohol Information School students who have not completed the course is recorded as unearned. Some students pay the tuition but must wait until a class has been scheduled for them to attend. The tuition is considered earned when the student completes the course, or when it is determined that the tuition is forfeited by the student for repeated failure to attend a class in which he has been scheduled.

## J) NOTES PAYABLE

As of June 30, 1999, the Council was indebted to a local bank in connection with a line of credit that had been established. The maximum limit of the credit line is \$50,000. The credit line provided checking account overdraft protection. The Council used its credit line to finance the acquisition of the land in October 1998 for \$33,000 of which \$24,178 was unpaid at June 30, 1999. The balance of this line of credit that was used as of June 30, 1999, \$25,086, was used by the Council to cover checks written before June 30, 1999. The interest rate is 3% over the Wall Street Journal Prime Rate. Accrued interest at June 30, 1999, was \$103. The loan is payable on demand.

## K) BOARD OF DIRECTORS COMPENSATION

No members of the Board of Directors received any compensation or per diem allowance to serve as Board members.

## L) SUBSEQUENT EVENTS

### Grants renewed

The Council was awarded a renewal of three State of Louisiana Department of Health and Hospital grant/contracts in connection with selected programs for the period July 1, 1999, through June 30, 2000. The renewals awarded are to operate selected programs

in its traditional geographical areas of service as well as to continue to implement selected programs in St. Mary Parish. These contracts are from the Louisiana Department of Health and Hospitals and provide for reimbursement of a maximum of \$193,507 of specifically allowed expenditures.

The Council was awarded a fourth grant from the same Louisiana state agencies in the amount of \$105,846 for the period July 1, 1999, through March 31, 2001.

#### Franklin Office Closed

The Board of Directors decided to close the office in Franklin Louisiana effective December 1, 1999. The lease was cancelled with out any penalty. Services will continue to be provided in St Mary Parish, but administration will be from the Thibodaux Office.

#### Contribution Received

The Council received a \$10,000 grant from the Lorio Foundation with the stipulation that the funds be used to pay the debt owed on the land acquired in October 1998.

# Joseph P. Kolwe

Certified Public Accountant

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## REPORT ON INTERNAL ACCOUNTING CONTROLS MANAGEMENT LETTER COMMENTS

To the Executive Committee of  
Bayou Council on Alcoholism, Inc.

I have examined the financial statements of Bayou Council on Alcoholism, Inc. for the year ended June 30, 1999, and have issued my report thereon dated December 10, 1999. As part of my examination, I made a study and evaluation of the Council's system of internal accounting control to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of my study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Council's financial statements. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Council is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in a system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

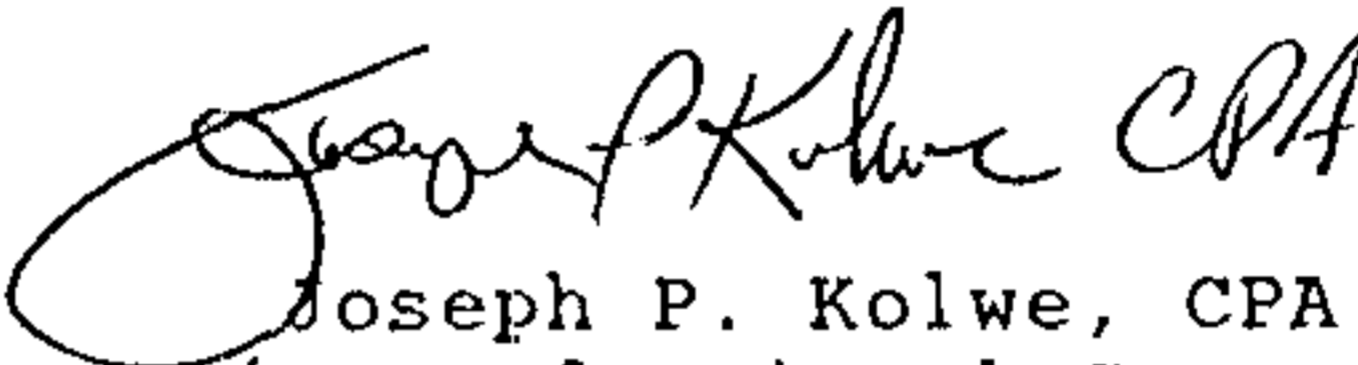
My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all reportable conditions nor all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of Bayou Council on Alcoholism, Inc. taken as a whole. However, my study and evaluation disclosed the conditions set out at page 3 of this report, titled Management Letter Comments that I believe will improve the accounting system

or should result in lowering the risk that errors or irregularities in amounts that would be material in relation to the financial statements of Bayou Council on Alcoholism, Inc. may occur and not be detected within a timely period.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in my examination of the June 30, 1999, financial statements, and this report does not affect my report on these financial statements dated December 10, 1998.

This report is intended solely for the use of management and the Board of Directors and should not be used for any other purpose.

Thibodaux, LA  
December 10, 1999

  
Joseph P. Kolwe, CPA  
(A Professional Corporation)



Management Letter Comments  
Areas Suggested for Improving Accounting Controls

Item No. 1 of 1 Cash Receipts

I noted during my examination that due to the limited staff there is not a segregation of duties over cash receipts and the posting of the cash receipts to subsidiary records. The same persons who are responsible for receiving cash from AIS students directly are frequently the same persons with responsibility for posting the payments to other records, and have other cash receipts responsibilities. Also due to limited personnel, it was noted that sometimes cash receipts processing was performed by the individual whose normal responsibility is to monitor other employees to ensure that the cash receipts are being properly recorded and controlled. These types of internal control weakness is a material weakness and could result in irregularities which would be hard to detect since the same person handles all functions on some occasions.

Steps have been taken to improve control over payments received through the mail. Internal control was improved somewhat by having different individuals perform different aspects of the cash receipts cycle over mail receipts. These procedures should be continued, even though, the limited staff size appears to preclude the consistent segregation of the posting duties from the cash receipt procedures. It appears that due to the limited staff size, this segregation of duties problem can not be overcome completely. Fidelity bond coverage was obtained for employees with cash receipt responsibilities which partially mitigates this weakness.

Other Items to Consider

Insurance

Several individuals use their automobiles while performing duties for the Council. I suggest that insurance coverage be obtained to cover the Council should one of these individuals cause damages to third parties while on Council business.

The Council's insurance agent should be contacted to determine that coverage is adequate for the office equipment, files, and other contents of the office building rented. Be sure that consideration is given to liability coverage on the vacant lot owned by the Council that is adjacent to the Thibodaux office.



# Joseph P. Kolwe

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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

To the Executive Committee of  
Bayou Council on Alcoholism, Inc.

I have audited the financial statements of Bayou Council on Alcoholism, Inc. (a nonprofit organization) as of and for the year ended June 30, 1999, and have issued my report thereon, dated December 10, 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 Bayou Council on Alcoholism, Inc.'s 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 tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

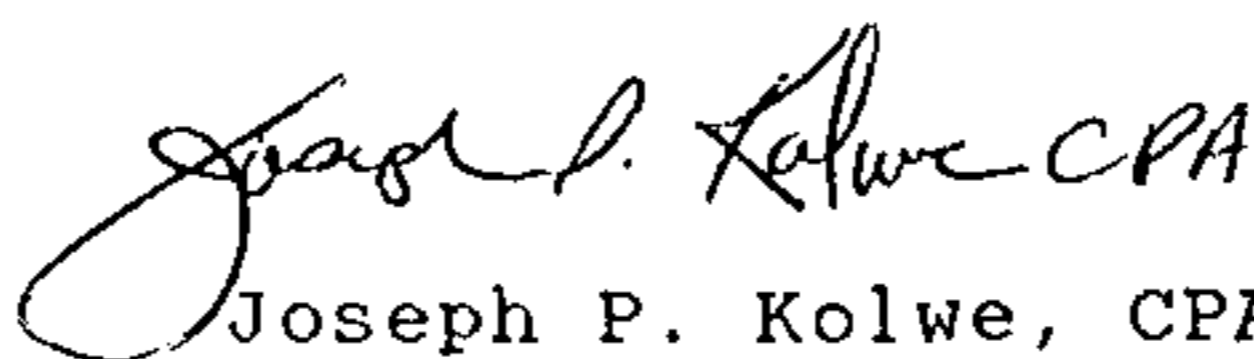
## Internal Control Over Financial Reporting

In planning and performing my audit, I considered Bayou Council on Alcoholism, Inc.'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. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Bayou Council on Alcoholism, Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition found is as follows:

The size of the Council's operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control. This was apparent in the processing of cash receipts by employees who are also responsible for the posting of cash receipts to the subsidiary accounting records and by supervisory personnel that is suppose to monitor cash receipts processing. These internal control weaknesses over cash receipts could result in irregularities which could be hard to detect. However, to employ such procedures to improve the internal control may not be cost effective.

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. My 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, I believe that the reportable condition described above is not a material weakness. I also noted other matters involving the internal control over financial reporting, which I have reported to management of Bayou Council on Alcoholism, Inc. in a separate letter dated December 10, 1999.

This report is intended solely for the information and use of the Executive Committee, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Joseph P. Kolwe, CPA  
A Professional Corporation

December 10, 1999

BAYOU COUNCIL ON ALCOHOLISM, INC.  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 1999

SECTION 1 INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

6-30-98 NONE FOUND

SECTION 2 INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

6-30-98 NONE FOUND

SECTION 3 MANAGEMENT LETTER

6-30-98 ITEM 1

IMPROVE BETTER SEGREGATION OF DUTIES  
FOR DAILY CASH RECEIPTS PROCESSING

6-30-98 ITEM 1

PARTIALLY RESOLVED. THE EXECUTIVE  
DIRECTOR PERIODICALLY CHECKS THE  
DAILY CASH RECEIPTS RECORDING  
ACTIVITY AND IS SURE TO LET THE EMP-  
LOYEES INVOLVED KNOW THAT SHE IS  
DOUBLE CHECKING ON A SURPRISE BASIS.  
THE ORGANIZATION'S SMALL SIZE AND  
STAFF PRECLUDES THE SEPARATION OF  
DUTIES DESIRED. FIDELITY BOND COV-  
ERAGE WAS OBTAINED. MANAGEMENT  
IS AWARE OF THE POTENTIAL PROBLEM  
AND IT IS LISTED IN 6-30-99 MANAGEMENT  
LETTER.

6-30-98 ITEM 2

INSURANCE COVERAGE COULD BE OBTAINED  
INSURE THE ORGANIZATION FOR CLAIMS THAT  
MAY ARISE FROM EMPLOYEES USING THEIR  
OWN AUTOMOBILE WHILE ON COMPANY  
BUSINESS

6-30-98 ITEM 2

RESOLVED: CONSIDERATION WAS GIVEN  
TO THIS BUT THE BOARD HAS DECIDED  
THAT THE COST WOULD BE TOO EXPENSIVE

BAYOU COUNCIL ON ALCOHOLISM, INC.  
MANAGEMENT'S CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 1999

SECTION 1-INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

6-30-99 NONE FOUND

SECTION 2-INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FEDERAL AWARDS

6-30-99 NONE FOUND

SECTION 3-MANAGEMENT LETTER

6-30-99 ITEM 1 OF 1

IMPROVE SEGRAGATION OF DUTIES FOR DAILY  
CASH RECEIPTS PROCESSING

6-30-99 ITEM 1

MANAGEMENT IS AWARE OF THE  
POTENTIAL PROBLEM CAUSED BY LACK OF  
SEGREGATION OF DAILY CASH RECEIPT  
DUTIES . HOWEVER, THE SMALL SIZE OF THE  
ORGINAZATION'S STAFF PRECLUDES THIS  
SEPARATION OF DUTIES FROM BEING  
OBTAINED. FIDELITY BOND COVERAGE HAS  
BEEN OBTAINED. NEITHER THE FEDERAL  
GRANTS NOR THE STATE PASS THROUGH  
ENTITY HAS BEEN CONTACTED REGARDING  
THIS WEAKNESS. THE EXECUTIVE DIRECTOR  
PERIODICALLY CHECKS DAILY CASH RECEIPT  
ACTIVITY. NO OTHER ACTION TAKEN AS OF  
12/10/99