

03/11/02

Monroe Chamber of Commerce, Inc.

**Financial Statements
Years Ended December 31, 2002 and 2001**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 6/4/03

Monroe Chamber of Commerce, Inc.

December 31, 2002 and 2001

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(A Professional Accounting Corporation)

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors Monroe Chamber of Commerce, Inc.

We have audited the accompanying statements of financial position of the **Monroe Chamber of Commerce, Inc.** (the Chamber) as of December 31, 2002 and 2001, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Chamber's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Government Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chamber as of December 31, 2002 and 2001, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2003, on our consideration of the Chamber's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As further discussed in Note 10, the Chamber received a grant from the United States Department of Commerce to promote the use and availability of advanced telecommunication technologies in the region. This grant is subject to review by the grantor agency and costs, if any, that may be disallowed by the grantor cannot be determined at this time.

**Board of Directors
Monroe Chamber of Commerce, Inc.**

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is 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.



(A Professional Accounting Corporation)

**March 21, 2003
(except for Note 10, as to
which the date is May 1, 2003)**

MONROE CHAMBER OF COMMERCE, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS	December 31	
	2002	2001
Current Assets		
Cash and Cash Equivalents	\$ 93,295	\$ 68,999
Investments	68,792	77,181
Receivables:		
Membership Dues	5,112	8,854
Total Resource Development Campaign	93,918	128,834
Contracts	87,147	52,500
Federal Grant	154,998	-
Other	8,904	47,828
Total Current Assets	512,166	384,196
Property and Equipment		
Furniture, Fixtures and Equipment	472,908	129,720
Leasehold Improvements	-	9,583
Total Property and Equipment	472,908	139,303
Less: Accumulated Depreciation and Amortization	(58,897)	(110,225)
Net Property and Equipment	414,011	29,078
Other Assets		
Security Deposit	2,178	2,178
Investment in Milner Building, L.L.C. (Note 7)	100,000	-
Prepaid Expenses	27,403	18,076
Total Other Assets	129,581	20,254
TOTAL ASSETS	\$ 1,055,758	\$ 433,528

The accompanying notes are an integral part of these statements.

	December 31	
	<u>2002</u>	<u>2001</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Deferred Revenue:		
Membership Dues	\$ 59,361	\$ 73,667
Total Resource Development Campaign	108,500	92,825
Other	-	1,170
Accounts Payable	222,404	65,596
Accrued Salaries and Payroll Taxes	1,838	15,893
Capital Lease Obligations (Current Portion)	7,434	-
Total Current Liabilities	<u>399,537</u>	<u>249,151</u>
Long Term Liabilities		
Notes Payable (Note 7)	100,000	-
Capital Lease Obligations	8,918	-
Total Long Term Liabilities	<u>108,918</u>	<u>-</u>
Total Liabilities	<u>508,455</u>	<u>249,151</u>
Net Assets		
Unrestricted:		
Undesignated	252,620	184,377
Temporarily Restricted:		
Workforce Development Division	294,683	-
Total Net Assets	<u>547,303</u>	<u>184,377</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,055,758</u>	<u>\$ 433,528</u>

MONROE CHAMBER OF COMMERCE, INC.
STATEMENTS OF ACTIVITIES

	Years Ended December 31,	
	2002	2001
Changes in Unrestricted Net Assets		
Support :		
Membership Dues	\$ 267,958	\$ 251,263
Administrative Division	62,786	57,026
Communications Division	79,650	73,632
Workforce Development Division	170,261	218,352
Government Relations/Affairs Division	192,626	193,855
Governmental Contracts	235,000	261,667
Leadership Division	39,205	27,407
Annual Banquet	55,744	39,937
Investment Income	3,363	5,441
Fund Raising	100,307	82,920
Total Unrestricted Support	1,206,900	1,211,500
 Net Assets Released From Time Restrictions	 117,926	 15,800
 Total Unrestricted Support and Reclassifications	 1,324,826	 1,227,300
 Expenses		
Program Services:		
Workforce Development Division	222,655	224,395
Government Relations/Affairs Division	228,082	302,317
Membership Services Division	140,090	156,349
Total Program Services Expenses	590,827	683,061
Supporting Services:		
Management and General (Note 2)	521,492	407,755
Fund Raising (Note 2)	62,700	41,080
Membership Development (Note 2)	81,564	91,243
Total Supporting Services Expenses	665,756	540,078
Total Expenses	1,256,583	1,223,139
 Increase in Unrestricted Net Assets	 68,243	 4,161
 Changes in Temporarily Restricted Net Assets		
Workforce Development Division	412,609	-
Net Assets Released from Time Restrictions - Workforce Development Division	(117,926)	-
Net Assets Released from Time Restrictions - Leadership Division	-	(15,800)
 Increase (Decrease) in Temporarily Restricted Net Assets	 294,683	 (15,800)
 Increase (Decrease) in Net Assets	 362,926	 (11,639)
 Net Assets at Beginning of Year	 184,377	 196,016
 NET ASSETS AT END OF YEAR	 \$ 547,303	 \$ 184,377

The accompanying notes are an integral part of these statements.

MONROE CHAMBER OF COMMERCE, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2002	2001
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ 362,926	\$ (11,639)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	52,835	14,253
Loss on Disposal of Fixed Assets	22,110	5,000
Changes in Assets and Liabilities:		
Membership Dues Receivable	3,742	15,665
Other Receivables	39,193	150,463
Prepaid and Other Assets	(110,598)	(7,168)
Deferred Revenue	199	(191,249)
Accounts Payable	156,808	30,583
Accrued Payables	(14,055)	14,477
Total Adjustments	150,234	32,024
Net Cash Provided by Operating Activities	513,160	20,385
 Cash Flows from Financing Activities		
Principal Paid on Capital Lease	(5,073)	-
Net Cash Used by Financing Activities	(5,073)	-
 Cash Flows from Investing Activities		
Maturity of Investments (Net)	8,389	-
Purchase of Investments	-	(3,484)
Investment in Milner Building, L.L.C.	(100,000)	-
Acquisition of Property and Equipment (Net)	(392,180)	(5,563)
Net Cash Used by Investing Activities	(483,791)	(9,047)
 Net Increase in Cash and Cash Equivalents	24,296	11,338
 Cash and Cash Equivalents at Beginning of Year	68,999	57,661
 Cash and Cash Equivalents at End of Year	\$ 93,295	\$ 68,999
 Supplemental Disclosures:		
Cash Paid During the Year for:		
Interest	\$ 4,318	\$ 658
Income Taxes	\$ 2,560	\$ 3,054
 Noncash Financing Activity:		
Increase in Capital Lease	\$ 21,425	\$ -
Noncash Investing Activity:		
Donation of Equipment	\$ 30,000	\$ -

The accompanying notes are an integral part of these statements.

MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 AND 2001

Note 1 - Summary of Significant Accounting Policies

Organization

The Monroe Chamber of Commerce, Inc. (the Chamber) was incorporated in September 1947 under the laws of the State of Louisiana. The Articles of Incorporation were restated in January 1997, and among other things, stated that the objects and purposes of the organization are for the advancement of the civic, commercial, economic, industrial and agricultural interests of the Parish of Ouachita and the surrounding trade area; the promotion of the general welfare, health and cultural well-being within that territory; and the stimulation of public sentiment toward those ends; and the sponsorship of the engagement in all lawful activities which promote the accomplishment of these purposes.

Basis of Accounting

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

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.

Property and Equipment

Property and equipment are recorded at cost. Expenditures greater than \$500 for additions, major renewals and betterments are capitalized. All other expenditures are expensed as incurred. The cost of assets retired or otherwise removed and the related accumulated depreciation are eliminated from the accounts in the year of removal, with the resulting gain or loss credited or charged to operations. Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets ranging from five to twenty years for the office furniture and equipment and leasehold improvements, respectively.

Included in Property and Equipment is certain video conferencing equipment and computers costing a total of \$285,896 that was acquired through Federal grants. The

MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 AND 2001

Chamber retains title to this equipment, however it cannot be sold without the grantor agency's permission or until the expiration of the grant period in the year ended December 31, 2004; therefore, this equipment less the related accumulated depreciation is shown as temporarily restricted net assets.

Through the Total Resource Development Campaign, the Chamber obtained the use of three vehicles. The agreements for the use of the vehicles are open-ended and provide for the Chamber to provide adequate insurance coverage and cover regular maintenance and operating costs. No value for these vehicles is included in property and equipment but the fair value of these vehicles is included in Administrative Division Support and in Management and General expense.

Deferred Revenue

Membership dues are billed on a monthly basis, coinciding with the month the member joined the Chamber. Membership revenue is deferred and recognized in the statement of activities on a straight-line basis over a one year period. Membership receivables are written off as uncollectible when they become 90 days past due.

Other deferred revenue consists of commitments received during the Total Resource Development Campaign for events or programs to be carried out in the following year. These deferred revenues are recognized as income either on a straight line basis or as the individual events occur.

Compensated Absences

Employees receive one week of vacation after six months, two weeks after one year, three weeks after five years, and four weeks after ten years of service. Vacation time is forfeited unless taken by year end. Five days of sick leave are allowed annually. Employees are not compensated for any unused leave upon termination. Accordingly, no accrual for unpaid leave time is included in the financial statements.

Net Assets

The unrestricted-undesignated net assets represent the surplus accumulated over several years through normal operations of the Chamber. Income from restricted sources which is received during the fiscal year and for which the restrictions are satisfied within the same fiscal year, is represented in the changes in unrestricted net assets.

Some of the temporarily restricted net assets represent contributions from the Monroe Chamber Foundation specified for educational purposes for the Workforce Development Program. As the Chamber expends these funds, the restrictions will be removed.

MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 AND 2001

The balance of the temporarily restricted net assets at December 31, 2002 represent the value of equipment purchased with federal funds less the accumulated depreciation. The restrictions will be removed upon expiration of the grant period in the year ended December 31, 2004. At December 31, 2002 there were no permanently restricted net assets.

Statements of Cash Flows

For the purposes of the statements of cash flows, the Chamber considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Functional Allocation of Expenses

Program services expenses are those directly related to the purposes for which the Chamber exists. Supporting services expenses reflect other expenses incurred in operating the programs, fund raising and membership development. Various operating expenses not directly connected with a specific function or program service are allocated to supporting services. The direct costs of providing the various programs and other activities have been summarized in the statements of activities. Salaries and employee benefits are allocated to program and supporting services based upon management's estimate of time each employee devotes to various activities.

Programs services include:

Workforce Development Division – is devoted to supporting the combination of educational and workforce training needs throughout the region served by the Chamber. Some of the programs sponsored by the division are the School-to-Work partnership between education and business; the Incumbent Worker Training program; the regional Career Fair and the Job Shadowing program.

Government Relations/Affairs Division – focuses on state, local and federal government initiatives. The Chamber maintains a full time staff person in Baton Rouge during the Legislative Sessions as well as conducting the annual Northern Exposure advocacy trip to the State Capital. On the local front, the Chamber has contracted with the City of Monroe and the Ouachita Parish Police Jury to represent these agencies in the areas of economic development, state and federal advocacy, and transportation and infrastructure. The Chamber also conducted two trips to Washington, D. C. to meet with House and Senate members as well as various Federal agencies to promote issues of concern for our area.

MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 AND 2001

Membership Services Division – benefits members of the Chamber by providing valuable information through a weekly newsletter and a quarterly newsmagazine. Literature to acquaint newcomers with Ouachita Parish is available from the Chamber and on the Chamber’s web site.

Supporting services include:

Management and General – includes oversight, business management, general record keeping, budgeting, financing, soliciting revenue from exchange transactions, such as government contracts and related administrative activities.

Fund Raising - includes the annual Holiday Auction

Membership Development – includes soliciting for prospective members, membership dues and the Total Resource Development Campaign. In 1997 the Chamber implemented the Total Resource Development Campaign to solicit participation in and support of its various programs in fulfilling the mission of the Chamber and enhancing benefits to the membership.

Basis of Presentation

Contributions received by the Chamber are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Chamber 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. The Chamber had no permanently restricted net assets at December 31, 2002 or 2001.

Tax Status

The Chamber has qualified as an organization exempt from federal income taxes pursuant to Section 501(c)(6) of the Internal Revenue Code; therefore, there is no provision for income taxes in the accompanying financial statements except for tax on unrelated trade or business income related to membership directories, maps and brochures.

Note 2 - Supporting Services

Management and General expenses consisted of the following for 2002 and 2001, respectively.

MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
Salaries and Employee Benefits	\$ 165,187	\$ 148,350
Insurance	4,958	9,446
Travel and Entertainment	3,255	687
Automobile Expense	17,102	26,398
Telephone	29,466	26,381
Postage	12,046	13,424
Printing and Subscriptions	26,077	22,189
Office Rent	63,601	44,254
Equipment Lease	7,719	9,865
Depreciation	20,873	14,253
Continuing Education	6,606	19,075
Office Supplies	20,958	19,360
Professional Fees	15,876	7,359
Interest	5,025	658
Service Contracts and Repairs	34,445	21,343
Unrelated Trade or Business Income Taxes	2,175	2,550
Other	86,123	22,163
	<u>\$ 521,492</u>	<u>\$ 407,755</u>

Fund raising expenses consisted of the following for 2002 and 2001, respectively.

	2002	2001
Salaries and Employee Benefits	\$ 6,261	\$ 7,747
Other – Christmas Auction	56,439	33,333
	<u>\$ 62,700</u>	<u>\$ 41,080</u>

Membership development expenses consisted of the following for 2002 and 2001, respectively.

	2002	2001
Salaries and Employee Benefits	\$ 39,006	\$ 44,821
Printing and Developing	6,659	7,548
Annual Meeting and Banquet	25,332	24,912
Other	10,567	13,962
	<u>\$ 81,564</u>	<u>\$ 91,243</u>

MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 AND 2001

Note 3 - Leases

As of December 31, 2002, the Chamber leased office space from RTR of Monroe, L.L.C. (See Note 7) and certain equipment under noncancellable operating leases. Rental expense for the years ended December 31, 2002 and 2001, was \$71,320 and \$54,119, respectively. Future minimum lease payments required under the operating leases are as follows:

		Operating Leases
2003	\$	77,547
2004		71,960
2005		71,960
2006		71,960
2007		71,960
2008-2012		299,833
Total minimum lease payments	\$	665,220

During 2002 the Chamber acquired \$21,425 of computer equipment through a capital lease. Capital leases give rise to both property rights and long-term lease obligations and are reflected on the Chamber's Statement of Net Assets. At December 31, 2002 future minimum lease payments under capital lease obligations are as follows:

		Capital Lease
Year		
2003	\$	8,842
2004		8,842
2005		644
Total		18,328
Less: Amounts Representing Interest		(1,976)
Net Present Value of Future Minimum Lease Payments	\$	16,352

Note 4 - Employee Retirement Plan

The Chamber provides a 401 (k) retirement plan for eligible employees. To participate in the plan, employees must be at least 21 years of age and have provided one year of service. The Chamber contributes 5% of participating employees' earnings. Employees may make a pre-tax voluntary contribution of up to 100% of their compensation or the maximum amount permitted by law to the plan. The Chamber contributed \$15,190 and \$17,146 to this plan for the years ended December 31, 2002 and 2001, respectively.

MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 AND 2001

Note 5 - Concentration of Credit Risk

All of the membership dues receivable represent amounts due from businesses located within Ouachita Parish and mostly within the city of Monroe. Over seventy-one percent of other receivables represent amounts due from the membership for participation in other programs such as leadership, government relations and similar programs. The Chamber does not require any security or collateral from its membership to secure these amounts. Failure of the membership to perform as promised could impact the Chamber's ability to collect \$5,112 and \$102,822 of the membership dues receivable and other receivables, respectively. Approximately seventeen and twenty-one per cent of the Chamber's revenue for 2002 and 2001, respectively is from two local governments.

The Chamber has various deposit accounts at federally insured financial institutions. At December 31, 2002, the bank balance in those institutions totaled \$177,363 which was fully insured.

Note 6 - Technology Opportunities Program

In September, 2001, the Chamber was awarded a grant from the United States Department of Commerce to promote the use and availability of advanced telecommunications technologies in the region. For the year ended December 31, 2002, the Chamber has recognized \$312,609 in revenues under the program.

Note 7 - Investment in Milner Building, LLC

On March 20, 2002 the Chamber entered into an operating agreement with RTR of Monroe, LLC (See Note 9) creating the Milner Building, LLC for the operation of a commercial office building in downtown Monroe. Under the agreement, RTR of Monroe, LLC has a 90% equity ownership and the Chamber a 10% equity ownership of Milner Building, LLC. The Chamber paid \$100,000 for its 10% interest. Per the operating agreement the Chamber shall be paid \$7,000 annually as a priority distribution from the operating cash flow, if any, after all expenses and debt service have been paid. Additionally, the Chamber will receive 10% of any remaining cash flow after payment of the priority distribution above. In accordance with the operating agreement the Chamber has an exclusive option to sell its membership interest in the limited liability company to RTR of Monroe L.L.C. for \$100,000. The term of the option begins on March 1, 2011 and ends on February 28, 2012.

MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 AND 2001

Note 8 - Note Payable

The Chamber executed a promissory note dated March 5, 2002 with a local financial institution, providing for a line of credit of \$100,000 at an interest rate of 4.75%. Proceeds from this loan were used to purchase furniture and equipment for the Chamber's offices. The note was due March 5, 2003 and was extended to March 5, 2004.

Note 9 - Related Party Transactions

Members of the Chamber's Board of Directors (Executive Committee) are also members of the Monroe Chamber Foundation's (the Foundation) Board of Directors. The Chamber furnishes to the Foundation office space and personnel to administer the pass-through grants from the State of Louisiana. During the year 2002 and 2001, the Foundation paid the Chamber \$56,301 and \$102,5663, respectively for personnel, supplies and program support. The chairman of the Board of Directors of the Chamber is also a part owner of RTR of Monroe, LLC. (See Note 7)

Note 10 - Contingencies and Uncertainties

The Chamber received a Technology Opportunities Program grant from the United States Department of Commerce to provide skills training and enrichment to residents of the Northeast Louisiana Delta Region through the use of advanced telecommunications technologies. As provided for in the grant the Chamber and its partners are to provide certain services as their matching contribution to the program. As of December 31, 2002 in-kind services valued in excess of \$126,000 have not been provided and it is not known if the Chamber will be able to meet these obligations during the grant period. As a result, the Chamber may be subject to having some or all of the costs charged to this grant disallowed by the Department of Commerce.



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

**Board of Directors
Monroe Chamber of Commerce, Inc.**

We have audited the financial statements of the **Monroe Chamber of Commerce, Inc.** (the Chamber) as of and for the year ended December 31, 2002, and have issued our report thereon dated March 21, 2003 except for Note 10, as to which the date is May 1, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

Compliance

As part of obtaining reasonable assurance about whether the Chamber'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Questioned Costs as item 02-01.

Internal Control over Financial Reporting

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

**Board of Directors
Monroe Chamber of Commerce, Inc.**

to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 02-01 and 02-02.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider items 02-01 and 02-02 in the previous paragraph to be material weaknesses.

This report is intended for the information of management of the Chamber, entities granting funds to the Chamber and the Legislative Auditor for the state of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.



(A Professional Accounting Corporation)

March 21, 2003



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

**Board of Directors
Monroe Chamber of Commerce, Inc.**

Compliance

We have audited the compliance of the **Monroe Chamber of Commerce, Inc.** (the Chamber) 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 its major Federal program for the year ended December 31, 2002. The Chamber's major Federal program is identified in the Summary of Auditor's 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 are the responsibility of the Chamber's management. Our responsibility is to express an opinion on the Chamber's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 the Chamber'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 on the Chamber's compliance with those requirements.

As described in item 02-01F in the accompanying schedule of findings and questioned costs, The Monroe Chamber of Commerce, Inc. did not comply with requirements regarding equipment management and matching that are applicable to its Technology Opportunities Program Grant. Compliance with such requirements is necessary, in our opinion, for the Chamber to comply with the requirements applicable to that program.

**Board of Directors
Monroe Chamber of Commerce, Inc.**

In our opinion, except for the noncompliance described in the preceding paragraph, the Monroe Chamber of Commerce, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

Internal Control Over Compliance

Management of the Chamber 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 the Chamber'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 internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters *coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance* that, in our judgment, could adversely affect the Chamber's ability to administer a major Federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 02-01F.

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. Our consideration of the internal control over compliance 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 material weaknesses. However, we believe item 02-01F to be a material weakness.

This report is intended for the information of management of the Chamber, entities granting funds to the Chamber and the Legislative Auditor for the state of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.



(A Professional Accounting Corporation)

March 21, 2003

MONROE CHAMBER OF COMMERCE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2002

<u>Federal Grantor/Program Title</u>	<u>C.F.D.A. Number</u>	<u>Federal Award Amount</u>	<u>Expenditures</u>
Direct Program:			
United States Department of Commerce - Technology Opportunities Program	11.552	\$ <u>544,000</u>	\$ <u>312,609</u>
TOTAL FEDERAL AWARDS		\$ <u><u>544,000</u></u>	\$ <u><u>312,609</u></u>

Included in the expenditures above is \$285,896 of equipment which is presented on the Statement of Position as Property and Equipment.

See Notes to Schedule of Expenditures of Federal Awards

MONROE CHAMBER OF COMMERCE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2002

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards presents the activities of the Federal award of the Monroe Chamber of Commerce, Inc. (the Chamber). All Federal awards were received directly from the Federal agency reported in the schedule.

Note 2 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Chamber's financial statements.

Note 3 - Relationship of the Schedule of Expenditures of Federal Awards to the Financial Statements

The Federal Awards expended by the Chamber for the year ended December 31, 2002 are included in the Workforce Development Division. Also included in the Schedule of Expenditures of Federal Awards is \$285,896 of equipment presented on the Statements of Position as Property and Equipment.

MONROE CHAMBER OF COMMERCE, INC.
Monroe, Louisiana
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2002

Summary of Auditors Results:

- 1) The audit report on the Monroe Chamber of Commerce, Inc. (the Chamber) covering the year ended December 31, 2002 was unqualified;
- 2) There were two instances of reportable conditions involving internal control over financial reporting disclosed by the audit of the financial statements of the Chamber. We considered item 02-01 and 02-02 to be material weaknesses;
- 3) The audit of the financial statements disclosed an instance of noncompliance which is considered to be material to the financial statements of the Chamber and is presented as item 02-01;
- 4) There was one instance of a reportable condition in the internal control over major programs which was reported as a material weakness;
- 5) The auditors' report on the Chamber's compliance with requirements applicable to its major program was qualified;
- 6) The audit of the Chamber's compliance with requirements applicable to its major program disclosed one finding required to be reported under the provisions of OMB Circular A-133 Section .510(a) and is presented as item 02-01F;
- 7) The major Federal program for purposes of the report on compliance with the requirements applicable to major programs was the Technology Opportunities Program (TOP) (CFDA No. 11.552);
- 8) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000; and,
- 9) The auditor has elected to waive the use of the risk criteria as provided under the provisions of OMB Circular A-133 section .520 (i).

(Continued)

MONROE CHAMBER OF COMMERCE, INC.
Monroe, Louisiana
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2002

Findings related to the financial statements which are required to be reported under Government Auditing Standards:

02-01 ACCOUNTING FOR FEDERAL GRANT (See Finding 02-01F for further details)

02-02 - CONTROLS OVER DISBURSEMENTS

Finding:

Cash disbursement functions need to be segregated.

The Operations Director opens all mail and retains vendor invoices which he files for payment. He also enters the payments into the Chamber's accounts payable system for posting to the general ledger. Accounts payable checks are run every Friday. Checks for less than \$500 require only one signature. Those over \$500, as well as payroll checks, are signed by the Operations Director and the Finance Director. In addition, neither the invoices nor disbursements are reviewed by the President or Vice-President of Administration. Because the Operations Director is responsible for recording the liabilities of the Chamber, and he and the Finance Director have access to the general ledger system, neither should be authorized to sign the disbursement checks.

Bank statements are also opened by the Operations Director and forwarded to the Finance Director for reconciliation. The bank statement is not reviewed by the President or Vice-President of Administration before being reconciled.

The effect of the above situation is that unauthorized disbursements could be made and funds misappropriated over a period of time and not detected in a timely manner.

Recommendation:

We recommend that all checks be signed by either the President or Vice-President of Administration and one Board Member. We also recommend that the President or Vice-President of Administration receive the bank statement unopened each month and scan the items clearing the bank for any unusual items.

Management's Corrective Action Plan:

Management of the chamber concurs with the recommendation and has put a system into place in which all checks will be signed by the President and/or Vice-President of Administration. If one or both of these individuals are not available, the signature or signatures will be provided by the secretary/treasurer and/or the chairperson.

MONROE CHAMBER OF COMMERCE, INC.
Monroe, Louisiana
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2002

The Vice-President of Administration will receive the bank statement unopened each month and review before turning it over to the accounting office for reconciliation.

Findings or questioned costs for Federal awards, including those specified by OMB Circular A - 133

02-01F ACCOUNTING FOR FEDERAL GRANT

Finding:

The Technology Opportunities Program grant from the United States Department of Commerce is used to provide skills training and enrichment to residents of the Northeast Louisiana Delta Region through the use of the latest video conferencing and broadband technologies. Under terms of the grant, the Chamber purchased a total of 64 computers, which according to the grant were to be installed at each of four sites. The University of Louisiana at Monroe (ULM), a partner with the Chamber in the program ordered all the equipment to be installed at the various locations. Two of the external sites are presently using only ten computers instead of the fifteen as originally intended. ULM installed an additional five computers in the ULM Computer Learning Center on its campus and another five computers not presently being used were being stored at ULM. In addition, the approved program budget provided for three designated video-conferencing classrooms located at three Youth Opportunity Centers (YO Centers) to be used as matching funds of approximately \$126,000. At present none of these Centers are involved in the program, and there is no indication that they intend to become involved. It appears that the Chamber has been unable to provide matching funds of at least \$126,000. Because of the redirection of the number of computers allotted to ULM and other sites not being able to utilize the number of computers allotted to them and the failure to provide at least \$126,000 in matching funds, we question the entire amount spent as of December 31, 2002 in the amount of \$323,820. (\$312,609 in 2002 and \$11,211 in 2001)

Recommendation:

We recommend that the Chamber contact the Department of Commerce to determine what steps need to be taken to bring the grant into compliance.

Management's Corrective Action Plan:

The finding lists 2 areas in which the Chamber of Commerce is not in compliance with the grant:

MONROE CHAMBER OF COMMERCE, INC.
Monroe, Louisiana
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2002

1. 10 computers are at ULM and not at schools:

The computers were ordered to fit into four sites, with 15 computers being ordered per site. At the time the broadcasts started, two sites could only accommodate 10 computers. These sites are now wired sufficiently to accommodate all 15 computers. As the representatives from ULM explained at a meeting with the auditors on May 1, 2003: The reason ULM set up five computers was to make sure that all were working, as some of the computers had flaws, and it would be difficult to return them once the warranty ran out. Five of the computers remained in their boxes pending testing.

Corrective Action Plan: Now that the rooms have been rewired to accept the computers, and the sites have agreed to receive them, the computers have been moved to the Chamber office for distribution to the sites.

2. Insufficient matching funds contributed to date (includes a reference to the lack of match from the YO! Centers):

The grant was funded with the stipulation that a large expenditure for equipment would be made up front; matching funds do not need to keep pace with expenditures, provided that all matching funds are supplied by the end of the grant period. (Per Special Award Condition # 24: "The expenditure of \$393,907 of the Federal funds for equipment at the beginning of the award period is approved based on the Recipient's demonstrated plans for later commitment of the entire non-Federal contribution to meet the matching requirements.")

Regarding the match for the Youth Opportunity Centers: The Fine Arts courses originally scheduled for broadcast were not offered in the first two semesters of the grant. The YO! participants were not interested in the elementary music courses offered.

Action Plan:

The YO! Centers have expressed an interest in taking courses from the University that would aid Workforce Development, such as Excel and Microsoft Word. These courses also fall within the scope of the grant. Their matching funds will be reduced by about half, because they will be starting courses midway through the grant, but we will keep the *ratio* of Federal Funds to matching funds that was approved by the Federal government by reducing future expenditures.

Additional Action Plan:

We are currently looking at ways to reduce expenditures because of the above-referenced changes, and consequent reductions in matching funds, that we have

MONROE CHAMBER OF COMMERCE, INC.
Monroe, Louisiana
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2002

made to the grant. These include a less expensive broadband system than the one stipulated in the grant, or possibly broadcasting through LearnNet, which is a state-proposed Internet 2 system dedicated to videoconference and research. Another option under discussion is to apply for a grant extension to make sure that all systems get the proper instruction, and to supply the required matching funds.

Chamber staff has contacted the Grant Program Officer at the Department of Commerce to discuss changes that have occurred in the grant. Since all such changes have been reported in the required Quarterly Reports, the Grant Program Officer is aware of them, and of the efforts we are making to reduce expenditures of Federal money. We have every expectation that the Grant Program Officer will approve these changes.

MONROE CHAMBER OF COMMERCE, INC.
Monroe, Louisiana

SUMMARY STATUS OF PRIOR YEAR FINDINGS

The following is a summary of the status of comments included in the Management Letter dated March 21, 2002, issued in connection with the examination of the financial statements of the Monroe Chamber of Commerce, Inc. as of and for the year ended December 31, 2001.

Technology Opportunities Program Grant

Finding:

While we believe that this is a most worthwhile program deserving of the Chamber's involvement, we believe that with the Chamber's limited staff and resources, the program would be better served if the University of Louisiana at Monroe were contracted to provide fiscal and administrative services for the conduct of the program's mission. We believe that the University possesses the staff with the experience in administering such grants to provide these services to result in a more effective and efficient utilization of resources.

Status:

The Chamber entered into a 3-year agreement beginning May 2002 with the University of Louisiana at Monroe for them to assume certain accounting and purchasing services in support of the Chamber as it manages the ARTS Technology Opportunity Grant.

The Chamber has put into place a procedure to review all requests, including contracts or grants, to ensure that they fit into the Chamber's mission and strategic plan. These requests are reviewed by the Finance Committee to see how it may affect the cash flow and what other implications it may have on staff and other physical resources. *If it is determined by the Finance Committee that it is a feasible endeavor, then it is presented to the Executive Committee for their authorization to proceed to the final approval by the Board of Directors.*