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Tri Communities Resources, Inc.
Lafayette, Louisiana
FINANCIAL REPORT
June 30, 1995

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 8-14-96

TLP

THELMA L. PHILLIPS
Certified Public Accountant
Lafayette, Louisiana

**Tri Communities Resources, Inc.
Lafayette, LA**

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THELMA L. PHILLIPS

Certified Public Accountant

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Independent Accountant's Report

To The Board of Directors
Tri Communities Resources, Inc.
Lafayette, Louisiana

I have compiled the accompanying balance sheet of Tri Communities Resources, Inc. as of June 30, 1995, and the related statements of support, revenue and expenses and changes in fund balances and functional expenses for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

A handwritten signature in cursive script, appearing to read 'Thelma', enclosed within a hand-drawn oval.

Lafayette, Louisiana
May 2, 1996

Tri Communities Resources, Inc.
Lafayette, Louisiana

Balance Sheet
June 30, 1995

	<u>Current Fund</u>	<u>Plant Fund</u>	<u>Total All Funds</u>
ASSETS			
Cash	\$ 47,111	\$ -	\$ 47,111
Prepaid insurance	178		178
Due from officers, directors, employees	1,600	-	1,600
Furniture and equipment, at cost less accumulated depreciation of \$885	<u>-</u>	<u>7,775</u>	<u>7,775</u>
Total assets	<u>\$ 48,889</u>	<u>\$ 7,775</u>	<u>\$ 56,664</u>
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Payroll taxes payable	\$ 2,168	\$ -	\$ 2,168
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>2,168</u>	<u>-</u>	<u>2,168</u>
Fund balances			
Reserved	46,721	-	46,721
Net investment in plant	<u>-</u>	<u>7,775</u>	<u>7,775</u>
Total fund balances	<u>46,721</u>	<u>7,775</u>	<u>54,496</u>
Total liabilities and fund balances	<u>\$ 48,889</u>	<u>\$ 7,775</u>	<u>\$ 56,664</u>

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

**Tri Communities Resources, Inc.
Lafayette, Louisiana**

**Statement of Support, Revenue and Expenses
and Changes in Fund Balances
Year Ended June 30, 1995**

	Current Fund	Plant Fund	Total All Funds
Public support:			
Grants	\$ 126,305	\$ -	\$ 126,305
Contributions	3,675	-	3,675
Total public support	129,980	-	129,980
Expenses			
Program services:			
Tutorial	44,122	-	44,122
Homemakers	4,822	-	4,822
Dependent Care	14,163	885	15,048
Total program services	63,107	885	63,992
Supporting services:			
Management and General	11,492	-	11,492
Total supporting services	11,492	-	11,492
Total expenses	74,599	885	75,484
Excess (deficiency) of support over expenses	55,381	(885)	54,496
Other changes in fund balances			
Equipment acquisitions from current funds	(8,660)	8,660	-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	\$ 46,721	\$ 7,775	\$ 54,496

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

**Tri Communities Resources, Inc.
Lafayette, Louisiana**

**Statement of Functional Expenses
Year Ended June 30, 1995**

	<u>Program Services</u>			<u>Supporting Services</u>	<u>Total Expenses</u>
	<u>Tutorial</u>	<u>Homemakers</u>	<u>Dependent Care</u>	<u>General and Administrative</u>	
Salaries	\$ 10,628	\$ 2,834	\$	\$ 709	\$ 14,171
Fringe benefits	813	217		54	1,084
Professional fees and contract services	25,220	0	2,050	4,798	32,068
Travel	52			418	470
Insurance				678	678
Rent	50			1,350	1,400
Office expense				180	180
Supplies	1,877	104	113	2,161	4,255
Conferences, conventions, meetings	5,129			1,144	6,273
Awards and grants	353		12,000		12,353
Utility aid		1,505			1,505
Community aid		162			162
Total expenses before depreciation	44,122	4,822	14,163	11,492	74,599
Depreciation of furniture and equipment			885		885
Total Expenses	\$ 44,122	\$ 4,822	\$ 15,048	\$ 11,492	\$ 75,484

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

Tri Communities Resources, Inc.
Lafayette, LA

Notes to Financial Statements
Year Ended June 30, 1995

Note 1 - Summary of Significant Accounting Policies

The financial statements of Tri Communities Resources, Inc. (Organization) have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Nature of Activities

Tri Communities Resources, Inc., a non-profit corporation, was formed under laws of the State of Louisiana on July 11, 1994. The Organization's primary mission is to provide after-school tutorial services with specific emphasis on homework completion and review, and to elevate participants academic achievement in mathematics and language, and to provide a summer enrichment program for low and middle-income families of the community. Its purpose also includes provisions for safehaven, drug and nutritional counseling for community youth as well as homemaking assistance and related services that greatly enhance the lives of the elderly, disabled and chronically unemployed.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been recorded and reported by fund groups.

The assets, liabilities, and fund balances of the Organization are reported in two self-balancing fund groups as follows:

Current funds, which include unrestricted and restricted resources, represent the portion of expendable funds that is available for support of operations.

Plant funds represent resources restricted for plant acquisitions and funds expended for plant.

Tri Communities Resources, Inc.
Lafayette, LA

Notes to the Financial Statements (Continued)
June 30, 1995

Donated Materials and Services

Donated materials and equipment are reflected as contributions at their estimated values at date of receipt. Estimated amounts of donated materials are immaterial in relation to total expenses. 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, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services.

Plant Assets and Depreciation

Uses of current funds for plant acquisitions are accounted for as transfers to plant funds. Donated assets are capitalized at fair value at the date of donation. Depreciation of plant assets is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

Office furniture and equipment	5 years
--------------------------------	---------

Note 2 - Plant Assets and Depreciation

The following is a summary of plant assets at June 30, 1995:

Office furniture and equipment	\$8,660
Less accumulated depreciation	<u>885</u>
Net furniture and equipment	\$7,775 =====

Note 3 - Grants

Included in grant revenues for fiscal year ended June 30, 1995, was \$117,750 received from the Governor's Office of Urban Affairs and Development, restricted for tutorial and homemaker program purposes, and, \$8,555 received from the State Department of Education under a Dependent Care Block Grant, restricted for use in tutorial services.

Tri Communities Resources, Inc.
Lafayette, LA

Notes to the Financial Statements (Continued)
June 30, 1995

Note 4 - 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 support, revenue and expenses, and changes in fund balances. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 5 - Income Tax Status

The Organization plans to complete and file Form 1023, Application for Recognition of Exemption Under Section 501 (c) (3) of the Internal Revenue Code, within the automatic 12-month extension of the 15-month filing requirement. Therefore, no provision for federal income taxes has been made.



THELMA L. PHILLIPS

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**Independent Accountant's Report
on Applying Agreed-Upon Procedures**

To the Board of Directors
Tri Communities Resources, Inc.
Lafayette, Louisiana

We have performed the procedures included in the Louisiana Government Audit Guide and enumerated below, which were agreed to by the management of Tri Communities Resources, Inc., and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about Tri Communities Resources, Inc., compliance with certain laws and regulations during the year ended June 30, 1995 included in the accompanying Louisiana Attestation Questionnaire. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding five thousand (\$5,000.00) dollars, or public works exceeding fifty thousand (\$50,000.00) dollars, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

One expenditure was made during the year for materials and supplies exceeding five thousand (\$5,000.00) dollars and no expenditure was made for public works exceeding fifty thousand (\$50,000.00) dollars. We examined documentation which indicated that the organization obtained the proper quotations for the material and supplies expenditure and accepted in accordance with the provisions of LSA-RS 38:2211-2251.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided us with the required lists of information noted above.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided us with the required list.

4. Determine whether any of those employees included in the listing obtained from management in [agreed-upon procedure three (3)] were also included on the listing obtained from management in [agreed-upon procedure two (2)] as immediate family members.

Only one of the employees included on the list of employees provided by management in [agreed-upon procedure three (3)] appeared on the list provided by management in [agreed-upon procedure two (2)]: Bettye Jackson, employed as a Tutorial Center Co-ordinator, is listed as the wife of James C. Jackson, Board Member.

Two Board Members were included as employees on the list of employees provided by management in [agreed-upon procedure three (3)]: Dorothy Castille, Member at Large, was employed as a Tutorial Center Co-ordinator and was paid \$996.00 for the 1994/1995 fiscal year; Milton Benoit, Vice Chairman of the Board of Directors, provided contractual services to the organization and received \$765.00 as compensation for his services.

Budgeting

5. Obtained a copy of the legally adopted budget and all amendments.

Management provided us with a copy of the original budget for each grant and a copy of the budget amendment for the Dependent Care Block Grant.

6. Trace the budget adoption and amendments to the minute book.

We reviewed the minutes of the meetings for adoption of the original budget. Discussions with management disclosed that Tri Communities Resources, Inc. does not have a comprehensive budget presenting a complete financial plan for the fiscal year under examination.

At the board meeting of July 11, 1994, the board authorized the Executive Director "to apply for funding and to keep the Board fully informed."

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues or expenditures exceed budgeted amounts by more than five (5%) percent.

We compared the revenues and expenditures of the final budget to actual revenues and expenditures. Actual revenues and expenditures for the year did not exceed budgeted amounts by more than five (5%) percent.

Accounting and Reporting

8. Randomly select six (6) disbursements made during the period under examination and:

- a. trace payments to supporting documentation as to proper amount and payee;

We examined supporting documentation for each of the six selected disbursements and found that payment was for proper amount and made to the correct payee;

- b. determine if payments were properly coded to the correct fund and general ledger account; and

All of the selected payments were properly coded to the correct fund and general ledger account.

- c. determine whether payments received approval from proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated approval from the Executive Director and the Chairman of the Board of Directors.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law).

Tri Communities Resources, Inc., is only required to post a notice of each meeting and the accompanying agenda on the door of the organization's office building. Although management has asserted that such documents were properly posted, we could find no evidence supporting such assertion other than a copy of the agendas.

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

We inspected copies of all bank deposit slips for the period under examination and noted that no deposits appeared to be proceeds from bank loans, bonds, or like indebtedness.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advances, or gifts.

A reading of the minutes of the Board for the year indicated no approval for the payments noted. We also inspected payroll records for the year and noted a few instances which indicate payments were made to employees which would constitute bonuses, advances, or gifts. All of these payments were made as an advance on unearned wages.

Test of the accounting records and discussion with management indicated there was no compensation or per diem paid to Board Members other than as previously reported in [agreed-upon procedure four (4)]. Therefore, a schedule of per diem paid to Board Members is not presented in this report.

During the course of performing the compilation/attestation, we observed opportunities for improved internal, administrative and accounting controls and observed other variances with applicable laws and regulations as follows:

1. Material issue of noncompliance with statutory requirements:

Finding: Tri Communities Resources, Inc. did not comply with State law requiring that the compilation/attestation engagement be completed and a report issued within six (6) months of the close of the reporting period.

Response: Tri Communities attributes the above act of noncompliance to four (4) interrelated occurrences as noted in a separate letter dated May 2, 1996 to the Legislative Auditor:

- a. the fiscal year at issue is the first year of operations
- b. the physical relocation of corporate headquarters
- c. change of Executive Directors
- d. indecision on the part of Management and failure to perform sufficient oversight on the part of the Board of Directors.

Tri Communities has taken the appropriate corrective action to address the above shortcomings and to put the proper measures and controls in place to ensure nonrecurrence of the events leading up to the aforementioned conditions.

2. Inadequate controls, accounting system and records:

Finding: A general ledger was not maintained throughout the year. Subsequent to the fiscal year end, an effort was made to compile financial statements.

Recommendation: A general ledger should be established and properly maintained. All transactions should be recorded and supported by adequate documentation.

Finding: Due to the size of the staff, Tri Communities Resources, Inc. does not have adequate separation of duties and responsibilities over receipts and disbursements. Because of this limitation, the same employee has responsibility for receiving funds, depositing funds, approving disbursements, updating accounting records and reconciling bank statements.

Recommendation: Accounting duties and responsibilities should be adequately separated to strengthen internal control. One staff person should not have responsibility for updating accounting records, making deposits and balancing bank accounts. Responsibility for authorizing transactions, recording transactions and maintaining custody of the organization's assets should be assigned so that no one individual can control all phases of processing. Also, checks on performance such as reconciliations should be independent of these processes and performed in a timely manner. Since there are only two staff members, the Board may wish to assume a more active roll in monitoring operations of the organization.

3. Tax Filing and Reporting

Finding: Payroll taxes were not withheld from employee wages due to classification of all workers as independent contractors. This resulted in no payroll tax deposits being made, no payroll tax returns and W-2 forms being filed. Although workers were being treated and classified as independent contractors, no 1099 forms were filed for calendar years 1994 and 1995.

Finding: Form 1023, Application for Recognition of Exemption Under Section 501 (c) (3) of the Internal Revenue Code has not been filed as of the date of this report. Therefore, Form 990 - Return of Organization Exempt from Income Taxes has not been filed for fiscal year ended June 30, 1995.

Recommendation: The organization should assess proper determination of worker classifications and file appropriate tax returns as required. The organization should make application for exemption under code section 501 (c) (3) within the automatic 12-month extension of the 15-month filing requirement.

Response: The staff and Board of Directors are in the process of reviewing a proper system of internal control and accounting to correct all of the deficiencies noted in findings number two (2) and number three (3) above and all of the deficiencies noted in this entire report. We will contract the services of a CPA to assist us in this effort and to file the appropriate tax returns. We have a strong desire and commitment to ensure implementation and adherence to an adequate system of controls and accounting on an ongoing basis.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of Tri Communities Resources, Inc., and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script, appearing to read "W. J. ...", enclosed in a circular flourish.

Lafayette, Louisiana
May 2, 1996