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Financial Report

*Easter Seal Society of Louisiana
for Children and Adults
with Disabilities, Inc.*

August 31, 1999

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 MAR 08 2000

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August 31, 1999

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FINANCIAL SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Easter Seal Society of Louisiana
for Children and Adults with Disabilities, Inc.,
New Orleans, Louisiana.

We have audited the accompanying statement of financial position of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc., (a nonprofit organization) as of August 31, 1999, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General for the United States. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. as of August 31, 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, we have also issued our report dated January 12, 2000 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

As discussed in Note 9, it was discovered that an error was made in the accounting for an unconditional promise to give for substantially free use of office space in prior years. Accordingly, net assets at September 1, 1998 have been restated to correct the error.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, La.,
January 12, 2000.

STATEMENT OF FINANCIAL POSITION**Easter Seal Society of Louisiana
for Children and Adults with Disabilities, Inc.**

August 31, 1999

Assets

Cash	\$ 37,005
Accounts receivable	124,082
Unconditional promise to give	70,831
Prepaid expenses and deposits	5,055
Property and equipment, net	<u>34,972</u>
 Total assets	 <u>\$ 271,945</u>

Liabilities

Notes payable - demand and line of credit	\$ 81,000
Accounts payable	45,333
Accrued vacation	22,364
Payroll taxes payable	7,298
Due to National Easter Seals	<u>1,949</u>
 Total liabilities	 <u>157,944</u>

Net Assets

Unrestricted	43,170
Temporarily restricted	<u>70,831</u>
 Total net assets	 <u>114,001</u>
 Total liabilities and net assets	 <u>\$ 271,945</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES**Easter Seal Society of Louisiana
for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 1999

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>Totals</u>
Support and Revenues			
Contract fees for services - Case Management (Department of Health and Hospitals)	\$ 255,836		\$ 255,836
Special events	234,694		234,694
Program service fees	152,430		152,430
Contributions	144,777	\$ 6,536	151,313
Bingo (net of expenses of \$161,285 and winnings of \$733,012)	82,745		82,745
Telethons	54,140		54,140
Grants - foundations and agencies	39,523		39,523
Miscellaneous	8,735		8,735
Total support and other revenues	972,880	6,536	979,416
Net assets released from restrictions:			
Expiration of time restrictions	48,000	(48,000)	0
Total support, revenues and other support	1,020,880	(41,464)	979,416
Expenses			
Program services:			
Case management:			
Region 1	94,653		94,653
Region 7	89,388		89,388
Region 9	134,624		134,624
Direct services	422,437		422,437
Public health education	39,133		39,133
Professional education and training	13,288		13,288
Management and general	120,675		120,675
Fundraising	122,476		122,476
Support to National Easter Seals	94,112		94,112
Total expenses	1,130,786	0	1,130,786
Decrease in Net Assets	(109,906)	(41,464)	(151,370)
Net Assets			
Beginning of year, as previously reported	153,076		153,076
Restatement to correct an error in accounting for an in-kind contribution (Note 9)		112,295	112,295
Beginning of year, as restated	153,076	112,295	265,371
End of year	\$ 43,170	\$ 70,831	\$ 114,001

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.

For the year ended August 31, 1999

	Program Services				Public Health Education
	Case Management			Direct Services	
	Region 1	Region 7	Region 9		
Salaries	\$ 64,262	\$ 60,027	\$ 92,789	\$ 169,931	\$ 29,434
Employee health and retirement and benefits	3,598	3,361	5,195	9,515	1,648
Payroll taxes	5,180	4,839	7,479	13,698	2,373
Conferences, conventions and meetings	30	185		236	661
Contract discount - Parkinson				43,173	
Equipment maintenance	477	136	968	267	65
Equipment rental	837	472	307	239	
Insurance				11,514	
Interest expense					
Media expenses	14	62	170	1,348	191
Membership dues to professional associations					
Miscellaneous	2,500	1,199	1,408	4,207	
Occupancy	1,486	2,575	8,445	54,894	
Outside printing	112	342	511	2,379	1,073
Postage	229	415	423	1,660	26
Professional fees and contract service payments	6,008	3,089	4,974	86,597	
Specific assistance to individuals				8,040	
Subscriptions and publications				48	
Supplies	1,524	1,811	936	2,170	2,587
Support to National Easter Seals					
Telephone	2,018	2,701	1,892	4,380	786
Travel	5,340	7,204	7,628	3,497	106
Total expenses before depreciation	93,615	88,418	133,125	417,793	38,950
Depreciation of property and equipment	1,038	970	1,499	4,644	183
Total expenses	<u>\$ 94,653</u>	<u>\$ 89,388</u>	<u>\$ 134,624</u>	<u>\$ 422,437</u>	<u>\$ 39,133</u>

See notes to financial statements.

Program Services		Support Services			
Professional Education and Training	Total	Management And General	Fund - raising	Support To National	Total
\$ 7,125	\$ 423,568	\$ 25,263	\$ 32,867		\$ 481,698
399	23,716	1,415	1,840		26,971
574	34,143	2,036	2,649		38,828
	1,112	2,604	1,085		4,801
	43,173				43,173
	1,913	925	261		3,099
	1,855	1,015	3,709		6,579
	11,514	4,295	53		15,862
	0	4,660			4,660
	1,785	1,041	1,620		4,446
	0	827			827
	9,314	11,341	2,141		22,796
	67,400	16,015	12,718		96,133
	4,417	1,698	3,848		9,963
	2,753	2,196	3,657		8,606
	100,668	23,181	8,521		132,370
	8,040				8,040
	48	201			249
315	9,343	5,005	43,581		57,929
0				\$94,112	94,112
109	11,886	7,166	1,211		20,263
4,589	28,364	5,268	1,354		34,986
13,111	785,012	116,152	121,115	94,112	1,116,391
177	8,511	4,523	1,361		14,395
<u>\$ 13,288</u>	<u>\$ 793,523</u>	<u>\$ 120,675</u>	<u>\$ 122,476</u>	<u>\$ 94,112</u>	<u>\$1,130,786</u>

STATEMENT OF CASH FLOWS**Easter Seal Society of Louisiana
for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 1999

Cash Flows From Operating Activities	\$ (151,370)
Decrease in net assets	<u>(151,370)</u>
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation	14,395
(Increase) decrease in operating assets:	
Accounts receivable	(77,136)
Unconditional promise to give	41,464
Miscellaneous receivable	4,000
Prepaid expenses and deposits	16,849
Increase (decrease) in operating liabilities:	
Accounts payable	14,150
Accrued vacation	22,364
Payroll taxes payable	5,396
Due to E. Wilson Trust	(3,575)
Due to National Easter Seals	<u>(14,014)</u>
Total adjustments	<u>23,893</u>
Net cash used in operating activities	(127,477)
Cash Flows Used In Investing Activities	(6,171)
Purchases of property and equipment	(6,171)
Cash Flows Provided By Financing Activities	
Net borrowing under line of credit and note payable due on demand	<u>81,000</u>
Net Decrease In Cash	(52,648)
Cash	
Beginning of year	<u>89,653</u>
End of year	<u>\$ 37,005</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**Easter Seal Society of Louisiana
for Children and Adults with Disabilities, Inc.**

August 31, 1999

Note 1 - NATURE OF ACTIVITIES

The Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. (the "Organization"), d/b/a Easter Seals Louisiana, is a non-profit, community-based healthcare agency organized under the laws of the State of Louisiana. The mission of the Organization is to help disabled children and adults of all ages, and their families, obtain and effectively utilize resources helpful in developing their abilities for leading more purposeful, independent lives. The Organization maintains programs and services that create an acceptance toward people with disabilities through the following: Campership, Day-Off Childcare, Equipment Loan, Post Polio Support Network, Scoliosis Screening, Specific Assistance, Family Service Coordination (Case Management) and Early Childhood Development.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization and Income Taxes

The Organization is a nonprofit corporation organized under the laws of the State of Louisiana in 1951. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is also exempt from Louisiana income tax under the authority of R.S.47:121(5).

b. Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Financial Statement Presentation

Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations", requires the reporting of information regarding financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets, based on donor stipulations and restrictions placed on contributions, if any. Management considers all activities and net assets to be unrestricted.

d. 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. Actual results could differ from those estimates.

e. Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. For the year ended August 31, 1999, the Organization only had one unconditional promises to give which was for the substantially free use of office space.

f. Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Accounts receivable

The Organization provides services under contracts entered into with various state and local agencies. Accounts receivable includes amounts billed under these contracts, amounts due from patients for services provided, and an amount due from another Easter Seal agency under a cooperative endeavor to provide services in the Shreveport area.

The majority of the accounts receivable balance as of August 31, 1999 is from the Louisiana Department of Health Hospitals. The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided.

h. Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Donated property is recorded at its fair market value at the date of donation.

i. Allocated Expenses

The cost of providing the various programs and other activities are summarized in the statement of functional expenses. Certain expenses have been allocated among the programs and supporting services based on management's estimate of the costs involved.

Note 3 - UNCONDITIONAL PROMISE TO GIVE

The Organization occupies an office at 305 Baronne Street in New Orleans, Louisiana. Annual rent is substantially free, \$1 per year, under a long-term lease, which has an estimated fair value of the rent of \$48,000 per year. This unconditional promise to give has been recorded as an asset, and each year the fair value of the rent is recorded as an occupancy expense with a corresponding reduction of the asset. The lease term ends June 30, 2000.

Note 3 - UNCONDITIONAL PROMISE TO GIVE (Continued)

This unconditional promise to give at August 31, 1999 is as follows:

Amount due in less than one year	\$ 48,000
Amount due in subsequent year	<u>40,000</u>
Total unconditional promise to give	88,000
Less discount to net present value	<u>(17,169)</u>
Net unconditional promise to give at August 31, 1999	<u>\$ 70,831</u>

Note 4 - PROPERTY AND EQUIPMENT

At August 31, 1999, the cost of property and equipment and accumulated depreciation were as follows:

Unimproved real estate	\$ 16,218
Furniture and fixtures	139,103
Transportation equipment	18,532
Office equipment	<u>6,171</u>
	180,024
Less accumulated depreciation	<u>(145,052)</u>
Net property and equipment	<u>\$ 34,972</u>

Depreciation expense was \$14,395 for the year ended August 31, 1999.

Note 5 - NOTES PAYABLE

The Organization has an \$80,000 line of credit with Whitney National Bank that expires January 14, 2000. Interest is payable monthly at Whitney National Bank's prime rate (8.25% at August 31, 1999). As of August 31, 1999, the Organization had \$42,500 of outstanding borrowings on the line. The Company expects the line to be renewed annually.

Note 5 - NOTES PAYABLE (Continued)

The Company is also obligated on a note payable to Whitney National Bank for \$38,500 at August 31, 1999. The note is due on demand, or if no demand, in equal monthly installments of principal and interest. Interest is payable at 8%. The final payments are due, if no demand is made, on August 14, 2000.

Interest expense on the above line of credit and notes was \$4,660 for the year ended August 31, 1999.

Note 6 - LEASES

The Organization leases certain office facilities in New Orleans, Shreveport, Covington, and Monroe. Rent paid during the fiscal year related to these leases was \$16,987 and \$48,000 of rent expense was recorded as an in-kind expense through the reduction of the unconditional promise to give receivable.

The future minimum lease payments under the above described leases are as follows:

Year ending August 31, 2000	<u>\$34,693</u>
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Note 7 - PENSION PLAN

The Organization sponsors a defined benefit plan that covers substantially all employees. The plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service with the organization and compensation rates near retirement. Contributions to the plan reflect benefits attributed to employees services to date, as well as services expected to be earned in the future. Plan assets consist of primarily common and preferred stock, investment-grade corporate bonds, and U.S. government obligations.

Note 7 - PENSION PLAN (Continued)

Pension expense for the year ended August 31, 1999 includes the following components:

Service cost of the current period	<u>\$11,088</u>
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The following sets forth the funded status of the plan at August 31, 1999:

Actual present value of benefit obligations:	
Vested benefits	\$320,586
Nonvested benefits	<u> -</u>
Accumulated benefit obligation	320,586
Fair value of assets held in plan	<u>379,723</u>
Excess of plan assets over projected benefit obligation	<u>\$ 59,137</u>

Note 8 - RELATED PARTY TRANSACTIONS

Various legal services were provided to the Organization by a law firm that is partially owned by a board member of the Organization. Legal fees incurred with this related party for the year ended August 31, 1999 amounted to \$10,000.

The Organization is affiliated with the National Easter Seals (Easter Seals) and pays an annual membership fee, which was \$94,112 for the year ended August 31, 1999. Easter Seals provides supplies for certain campaigns and charges the Organization for those supplies. Easter Seals also remits to the Organization contributions collected on behalf of the Organization.

Note 9 - RESTATEMENT OF NET ASSETS

An error was made in prior years in the accounting for an in-kind contribution of substantially free use of an office facility for a five-year period which resulted in receivables and net assets being understated by \$112,295 at August 31, 1998. The Organization has restated its net assets at that date to correct the error.

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



Bourgeois Bennett

**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 Board of Directors,
Easter Seal Society of Louisiana
for Children and Adults with Disabilities, Inc.,
New Orleans, Louisiana.

We have audited the financial statements of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. (a nonprofit organization) as of and for the year ended August 31, 1999, and have issued our report thereon dated January 12, 2000. We conducted our 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 Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts and grants, *noncompliance with which could have a direct and material effect on the determination of financial statement amounts*. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

Bougeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, La.,
January 12, 2000.

SCHEDULE OF FINDINGS

**Easter Seal Society of Louisiana
for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 1999

Section I - Summary of Auditor's Report

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Reportable condition(s) identified that are
not considered to be material weakness ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

b) Federal Awards

For the year ended August 31, 1999 Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. was not subject to OMB Circular A-123, Audits of States, Local Government and Non-Profit Organizations.

Section II - Financial Statement Findings

There were no financial statement findings noted during the audit for the year ended August 31, 1999.

Section III - Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS

Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.

For the year ended August 31, 1999

Section I - Internal Control and Compliance Material to the Financial Statements

Internal Control

No material weaknesses were noted during the audit for the year ended August 31, 1998.
No reportable conditions were reported during the audit for the year ended August 31, 1998.

Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended August 31, 1998.

Section II - Internal Control and Compliance Material To Federal Awards

Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. did not receive any Federal awards during the year ended August 31, 1998.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended August 31, 1998.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.

For the year ended August 31, 1999

Section I - Internal Control and Compliance Material to the Financial Statements

Internal Control

No material weaknesses were noted during the audit for the year ended August 31, 1999.
No reportable conditions were reported during the audit for the year ended August 31, 1999.

Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended August 31, 1999.

Section II - Internal Control and Compliance Material To Federal Awards

Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. did not receive any Federal awards during the year ended August 31, 1999.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended August 31, 1999.