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Report On
The Audit Of
The Financial Statements Of
The Lighthouse For The Blind
In New Orleans, Inc.
December 31, 2003

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 9-8-04

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Lighthouse for the Blind in New Orleans, Inc.

I have audited the accompanying Statement of Financial Position of The Lighthouse for the Blind in New Orleans, Inc. (a nonprofit organization) as of December 31, 2003 and the related statements of activities, functional expenses and change in cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audits. Information for the year ended December 31, 2002 is presented for comparative purposes only and was extracted from the financial statements presented by fund for that year, on which an unqualified opinion dated March 3, 2003 was expressed.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the statements applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Lighthouse for the Blind in New Orleans, Inc. as of December 31, 2003 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 5, 2004, on my consideration of the Lighthouse for the Blind in New Orleans, Inc.'s internal control over financial reporting and my 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 *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.



Jules Richard
Certified Public Accountant

March 5, 2004

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2003
 (with Comparative Totals for 2002)

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	<u>2003</u>	<u>2002</u>
<u>ASSETS</u>		
CURRENT		
Cash	\$ 750,383	\$ 127,921
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$22,565 in 2002 & \$22,565 in 2003)	623,850	391,907
Merchandise Inventory	902,325	937,793
Prepaid Expenses	81,374	31,208
Total Current Assets	2,357,932	1,488,829
INVESTMENTS		
Money Market Account	67,930	96,231
Marketable Securities	1,109,475	843,768
Real Estate	38,461	39,434
Total Investments	1,215,866	979,433
PROPERTY, PLANT AND EQUIPMENT		
Land	119,802	119,802
Building and Improvements	1,332,983	1,178,499
Machinery and Equipment	1,968,671	1,899,350
Furniture and Fixtures	189,656	182,807
Computer Equipment	377,886	347,103
Vehicles	33,523	35,953
	4,022,521	3,763,514
Less: Accumulated Depreciation and Amortization	2,734,729	2,401,821
Net Property, Plant and Equipment	1,287,792	1,361,693
TOTAL ASSETS	\$ 4,861,590	\$ 3,829,955
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts Payable	491,001	500,941
Accrued Expenses	277,102	185,137
Payroll and Sales Tax	11,177	4,868
Note Payable-Bank	-	390,000
Total Current Liabilities	779,280	1,080,946
NET ASSETS		
Unrestricted	3,893,604	2,706,435
Temporarily Restricted	188,706	42,574
Permanently Restricted	-	-
Total Net Assets	4,082,310	2,749,009
TOTAL LIABILITIES AND NET ASSETS	\$ 4,861,590	\$ 3,829,955

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

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
 STATEMENTS OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2003
 (With Comparative Totals for 2002)

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	<u>2003</u>	<u>2002</u>
<u>UNRESTRICTED NET ASSETS</u>		
OPERATING REVENUE - NOTE I	\$ 9,008,898	\$ 5,339,055
OPERATING EXPENSES - PAGE 4	<u>8,232,463</u>	<u>5,135,456</u>
Contribution from Operations	<u>776,435</u>	<u>203,599</u>
PUBLIC SUPPORT AND REVENUE		
Grant Income	62,103	66,368
General Contributions	180,618	157,977
Special Gifts	164,822	21,440
Other Income	<u>14,328</u>	<u>6,712</u>
Total Public Support	<u>421,871</u>	<u>252,497</u>
SUPPORTING SERVICES - PAGE 5		
General and Administrative	783,787	760,549
Fund Raising	<u>83,283</u>	<u>91,912</u>
	<u>867,070</u>	<u>852,461</u>
INVESTMENT REVENUE AND LEGACY INCOME		
Investment Income	275,332	(155,246)
Legacy Income	561,432	39,743
Oil and Gas Income	10,129	15,466
Rental	<u>9,040</u>	<u>9,000</u>
	<u>855,933</u>	<u>(91,037)</u>
Increase (Decrease) in Unrestricted Net Assets	<u>1,187,169</u>	<u>(487,402)</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
Support from the State of Louisiana for Health and Human Services	125,000	-
Support from the Ivy Brown Fund	46,227	
Support for Blind Enrichment Program	9,519	7,800
Net Assets Released from Restriction		
Restriction Satisfied by Payment	<u>(34,614)</u>	<u>(134,798)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>146,132</u>	<u>(126,998)</u>
INCREASE (DECREASE) IN NET ASSETS	1,333,301	(614,400)
NET ASSETS AT BEGINNING OF YEAR	<u>2,749,009</u>	<u>3,363,409</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,082,310</u>	<u>\$ 2,749,009</u>

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

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
STATEMENT OF FUNCTIONAL (OPERATING) EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Workshop Dept. Costs</u>	<u>Special Services</u>	<u>Total</u>
Materials	\$ 4,585,917	\$ 29,400	\$ 4,615,317
Labor	1,619,207	345,075	1,964,282
Freight	262,964	-	262,964
Commissions	248,932	99	249,031
Payroll Taxes	130,567	26,511	157,078
Insurance - Employees	122,605	26,437	149,042
Utilities	99,887	6,706	106,593
Stationery and Supplies	70,528	15,069	85,597
Legal, Audit and Consulting	-	78,438	78,438
Repairs - Equipment	66,782	2,818	69,600
General Insurance	60,552	4,341	64,893
Travel	7,232	21,348	28,580
Building Repairs	19,375	-	19,375
Telephone	5,921	7,522	13,443
Advertising and Promotion	3,759	7,834	11,593
Trash Disposal	7,032	404	7,436
Equipment Rental	4,448	-	4,448
STARS Program Cost	-	2,679	2,679
Staff Training	-	1,850	1,850
Postage	1,565	59	1,624
Plant Security	-	540	540
Computer Services	-	367	367
Truck Repairs/Rental	251	-	251
Dues/Subscriptions	-	250	250
Bank Fees	-	52	52
Miscellaneous	(2,078)	8,921	6,843
	<hr/>	<hr/>	<hr/>
Total Expenses Before Depreciation and Amortization	7,315,446	586,720	7,902,166
Depreciation and Amortization	292,279	38,018	330,297
	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 7,607,725</u>	<u>\$ 624,738</u>	<u>\$ 8,232,463</u>

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

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
 STATEMENT OF FUNCTIONAL (SUPPORTING SERVICES) EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>General & Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Labor	\$ 511,345	\$ 46,491	\$ 557,836
Legal, Audit and Consulting	41,696	9,832	51,528
Insurance - Employees	34,325	4,435	38,760
Payroll Taxes	34,500	3,740	38,240
Stationery and Supplies	34,202	1,777	35,979
Travel	19,091	52	19,143
General Insurance	14,477	599	15,076
Postage	6,497	7,942	14,439
Interest	14,284	-	14,284
Computer Services	9,372	-	9,372
Bank Fees	8,685	-	8,685
Advertising and Promotion	4,171	3,360	7,531
Utilities	5,104	1,207	6,311
Repairs - Equipment	5,549	412	5,961
Telephone	3,894	1,161	5,055
Equipment Rental	4,771	-	4,771
Security System	1,894	-	1,894
Trash Disposal	1,261	198	1,459
Dues/Subscriptions	1,230	86	1,316
Staff Training	681	199	880
Personnel Recruiting	-	-	-
Bad Debt Expense	1,129	-	1,129
Miscellaneous	<u>13,205</u>	<u>1,388</u>	<u>14,593</u>
Total Expenses Before Depreciation and Amortization	771,363	82,879	854,242
Depreciation and Amortization	<u>12,424</u>	<u>404</u>	<u>12,828</u>
Total Expenses	<u>\$ 783,787</u>	<u>\$ 83,283</u>	<u>\$ 867,070</u>

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

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2003
(With Comparative Totals for 2002)

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	<u>2003</u>	<u>2002</u>
Cash Flows from Operating Activities:		
Excess of Revenue (Expenses) Over Expense (Revenue)	\$ 1,333,301	\$ (614,400)
Adjustment to Reconcile Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities:		
Depreciation	343,125	326,863
Decrease (Increase) in Accounts Receivable	(231,943)	198,688
Decrease (Increase) in Inventories	35,468	(115,173)
Decrease (Increase) in Prepaid Expenses	(50,166)	(8,998)
Increase (Decrease) in Accounts Payable	(9,940)	85,002
Increase (Decrease) in Payroll and Sales Taxes	6,309	(5,895)
Increase (Decrease) in Accrued Liabilities	<u>91,965</u>	<u>90,623</u>
Net Cash Provided by (Used In) Operating Activities	<u>1,518,119</u>	<u>(43,290)</u>
Cash Flows from Investing Activities:		
Purchase of Property, Plant and Equipment	(269,224)	(44,311)
Proceeds from Sale of Investments	306,025	180,386
Purchases of Investments	(290,635)	(267,112)
Decrease (Increase) in Investment to Market Value	<u>(251,823)</u>	<u>222,660</u>
Net Cash Provided by (Used In) Investing Activities	<u>(505,657)</u>	<u>91,623</u>
Cash Flows from Financing Activities:		
Short-Term Borrowing	-	-
Payment on Notes Payable	<u>(390,000)</u>	<u>(10,000)</u>
Net Cash Provided by (Used In) Financing Activities	<u>(390,000)</u>	<u>(10,000)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	622,462	38,333
Cash and Cash Equivalents at Beginning of Year	<u>127,921</u>	<u>89,588</u>
Cash and Equivalents at End of Year	<u>\$ 750,383</u>	<u>\$ 127,921</u>

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of The Lighthouse for the Blind in New Orleans, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

BASIS OF PRESENTATION

The Lighthouse for the Blind in New Orleans, Inc. follows the accounting procedures and practices for voluntary health and welfare organizations established by the American Institute of Certified Public Accountants through the Financial Accounting Standards Board. Therefore, financial statement presentation follows the recommendations of Statement of Financial Accounting Standards (SFAS) No.117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No.117, the Organization is required to report 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.

REVENUE RECOGNITION

Revenue is recognized upon shipment/delivery of the product or completion of the service. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

DONATIONS

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as *unrestricted support unless the donor has restricted the donated asset to a specific purpose*. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donor assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments.

PROPERTY, PLANT AND EQUIPMENT

It is the Organization's policy to capitalize property and equipment over \$1000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the useful life of the property, a summary of which follows:

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Assets</u>	<u>Useful Life</u>
Building and Improvements	10-50 Years
Furniture and Fixtures	10 Years
Machinery and Equipment	10 Years
Vehicles	4 Years
Computer Equipment	3-5 Years

Depreciation expense of \$326,863 in 2002 and \$343,125 in 2003 was charged to expense.

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.

FUNCTIONAL EXPENSE ALLOCATION

Expenses are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

ADVERTISING

The Company's policy is to expense advertising costs as the costs are incurred.

NOTE B – CASH FLOW INFORMATION

For purposes of the statement of cash flows, The Lighthouse for the Blind in New Orleans, Inc. considers all highly liquid investments in the unrestricted fund with an initial maturity of three months or less to be cash equivalents.

The Lighthouse for the Blind in New Orleans, Inc. paid no income tax during both periods since the Organization is exempt from federal income taxes under Section 501 (c) 3 of the Internal Revenue Code.

Interest paid was as follows:

	<u>2002</u>	<u>2003</u>
Interest	<u>\$ 17,117</u>	<u>\$ 14,284</u>

NOTE C – INVENTORIES

Inventory of raw materials is valued at cost on the weighted moving average method. The retail stores inventory is valued at cost. The burden is an estimate of the direct labor on overhead cost related to a completed product. Such labor and burden costs are not material to the financial statements taken as a whole. Finished goods are valued at the weighted moving average costs developed for the individual items on the basis of current material and burden rates at the completion of production. Details of merchandise inventory are as follows:

	<u>2002</u>	<u>2003</u>
Raw Material	\$ 672,014	\$ 620,777
Finished Goods	<u>265,779</u>	<u>281,548</u>
Total	<u>\$ 937,793</u>	<u>\$ 902,325</u>

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2003

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NOTE D – MAJOR CUSTOMER

Sales to one customer amounted to \$4,997,467 or 55.47 % of total operating revenue in 2003.

NOTE E – TEMPORARILY RESTRICTED ASSETS

Temporarily restricted assets are gifts that are restricted by the donor for a purpose or time period. The Lighthouse for the Blind in New Orleans, Inc. has the following separate restricted accounts. These accounts are listed below.

Temporarily Restricted Net Assets:

Restricted for:	<u>2002</u>	<u>2003</u>
Louisiana Gambling Fund Appropriation for 2004	\$ -	\$ 98,777
Ivy Brown Fund	-	46,227
Enrichment of the Blind	42,574	43,702
Total	<u>\$ 42,574</u>	<u>\$ 188,706</u>

The Enrichment of the Blind fund gift was restricted for use only for the enhancement and improvement in the lives of blind persons involved within this organization.

In 2003, the Louisiana State Legislature appropriated \$500,000 from a state gambling fund reserved for health and human services work. The above balance will be spent in 2004.

Mrs. Ivy Brown willed part of her estate to The Lighthouse for the Blind in New Orleans, Inc. The will stated that the bequest will be kept in trust by the Greater New Orleans foundation for our benefit.

NOTE F – INVESTMENTS

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Real estate is carried at cost. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. The Organization's investments are summarized below:

<u>Description</u>	<u>Cost</u>	<u>Market Carrying Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Common Stock	\$ 794,150	\$ 887,408	\$ 93,258
Bonds	217,168	222,067	4,899
Money Market Account	67,930	67,930	-
Total	<u>\$ 1,079,248</u>	<u>\$ 1,177,405</u>	<u>\$ 98,157</u>
Real Estate	38,461	38,461	-
Total	<u>\$ 1,117,709</u>	<u>\$ 1,215,866</u>	<u>\$ 98,157</u>

Investment return is summarized as follows:

Interest and Dividend Income (Net)	\$ 22,793
Net Realized and Unrealized Gains (Losses)	<u>252,539</u>
 Total Unrestricted Investment Income (Losses)	 <u>\$ 275,332</u>

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2003

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NOTE F-INVESTMENTS (Continued)

Expenses relating to investment revenues, including custodial fees and investment advisory fees, and fees due to sales of investment real estate, amounting to \$4,172 have been netted against investment revenues in the accompanying Statement of Activities.

NOTE G- OPERATING REVENUE

Operating revenue consists of sales from the following operating departments:

	<u>2003</u>	<u>2002</u>
Sales - Paper Plates	\$ 2,272,580	\$ -
Sales - Paper Towels	2,196,377	1,220,147
Sales - Paper Cups	1,047,492	896,889
Sales - Sewn Products	751,452	628,303
Sales - Switchboard Service	624,078	581,769
Sales - Mops	504,534	536,567
Sales - First Aid Kits	430,590	321,979
Sales - Jobber/Scrubber	322,563	324,853
Sales - Braille Transcription	256,560	337,608
Sales - Brooms	216,641	218,576
Sales - Warehouse	92,198	90,879
Sales - Plastics	40,232	39,535
Sales - Cartridges/Misc.	<u>33,017</u>	<u>43,127</u>
 Total Workshop Departments	 \$ 8,788,314	 \$ 5,240,232
 Sales - Services	 208,201	 140,400
Sales - Visual Aids Store	37,666	523
Sales - Arts/Crafts	55	566
Sales - Contract	<u>-</u>	<u>-</u>
 Total Special Services Sales	 <u>245,922</u>	 <u>141,489</u>
 Total Sales	 9,034,236	 5,381,721
 Less Sales Allowances and Discount	 <u>(25,338)</u>	 <u>(42,666)</u>
 Net Sales	 <u>\$ 9,008,898</u>	 <u>\$ 5,339,055</u>

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CERTIFIED PUBLIC ACCOUNTANT

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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 Trustees
The Lighthouse for the Blind in New Orleans, Inc.

I have audited the financial statements of The Lighthouse for the Blind in New Orleans, Inc. (a nonprofit organization) as of and for the year ended December 31, 2003 and have issued my report thereon dated March 5, 2004. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether The Lighthouse for the Blind in New Orleans, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered The Lighthouse for the Blind in New Orleans, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My 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 weakness. 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 of misstatements in amounts that would be material in relation to the financial being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Jules Richard, CPA
Metairie, Louisiana
March 5, 2004