

RECEIVED
LEGISLATIVE AUDIT
04 SEP 24 AM 11:1

FOREVER OUR CHILDREN, INC.
FINANCIAL STATEMENTS AND
AUDITOR'S REPORT

June 30, 2004

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 9-29-04

FOREVER OUR CHILDREN, INC.

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	3
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF ACTIVITIES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7
SUPPLEMENTAL INFORMATION	
COMBINED STATEMENT OF ACTIVITIES	12
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	13
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	15
CORRECTIVE ACTION PLAN	

Justin J. Scanlan, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT
4769 ST. ROCH AVE. NEW ORLEANS, LOUISIANA 70122
TELEPHONE: (504) 288-0050

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Forever Our Children, Inc.

I have audited the accompanying statement of financial position of Forever Our Children, Inc. (a non-profit corporation) as of June 30, 2004, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit. The prior year summarized comparative information has been derived from the Corporation's 2003 financial statements and, in my report dated October 28, 2003, I expressed an unqualified opinion on these financial statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that 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 Forever Our Children, Inc. as of June 30, 2004, 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 August 25, 2004, on my consideration of Forever Our Children, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This 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.

My audit was made for the purpose of forming an opinion on the basic financial statements of Forever Our Children, Inc. taken as a whole. The supplemental information listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Justin J. Scanlan, CPA

New Orleans, Louisiana
August 25, 2004

FOREVER OUR CHILDREN, INC.
STATEMENT OF FINANCIAL POSITION

June 30, 2004

ASSETS

**TOTAL
MEMORANDUM ONLY
June 30, 2003**

Cash	\$ 1,766	\$ 2,118
Grant receivable (Notes A4 and B)	<u>11,758</u>	<u>12,208</u>
Total assets	<u>\$ 13,524</u>	<u>\$ 14,326</u>

LIABILITIES AND NET ASSETS

Note payable – bank (Note C)	\$ 6,738	\$ 5,000
Accounts payable and accrued liabilities	<u>6,500</u>	<u>8,380</u>
Total liabilities	13,238	13,380
Commitment (Note D)	-	-
Net assets		
Unrestricted	159	946
Temporarily restricted	<u>127</u>	<u>-</u>
Total net assets	<u>286</u>	<u>946</u>
Total liabilities and net assets	<u>\$ 13,524</u>	<u>\$ 14,326</u>

The accompanying notes are an integral part of this financial statement.

FOREVER OUR CHILDREN, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2004

			TOTAL	
			MEMORANDUM ONLY	
	UNRESTRICTED	TEMPORARILY RESTRICTED	For the year ended June 30, 2004	For the year ended June 30, 2003
REVENUES				
Grant appropriations (Note E)	\$ -	\$ 376,699	\$ 376,699	\$ 458,500
Interest income	657	-	657	1,066
Other income	1,769	-	1,769	8,838
Net assets released from restrictions	<u>376,572</u>	<u><376,572></u>	<u>-</u>	<u>-</u>
Total revenues	<u>378,998</u>	<u>127</u>	<u>379,125</u>	<u>468,404</u>
EXPENSES				
Salaries	184,949	-	184,949	222,812
Fringe benefits	16,831	-	16,831	19,105
Travel	3,000	-	3,000	4,500
Occupancy expense	20,700	-	20,700	20,700
Insurance	9,318	-	9,318	13,023
Contract services	107,244	-	107,244	161,947
Program activities	16,975	-	16,975	18,340
Supplies	8,879	-	8,879	60,758
Telephone	3,856	-	3,856	5,967
Postage	4,160	-	4,160	275
Equipment expense	3,000	-	3,000	36,058
Other	<u>843</u>	<u>-</u>	<u>843</u>	<u>5,605</u>
Total expenses	<u>379,755</u>	<u>-</u>	<u>379,755</u>	<u>569,090</u>
Increase <decrease> in net assets	< 757 >	127	< 630 >	< 100,686 >
Return of funds to funding sources	< 30 >	-	< 30 >	-
Net assets, beginning of year	<u>946</u>	<u>-</u>	<u>946</u>	<u>101,632</u>
Net assets, end of year	<u>\$ 159</u>	<u>\$ 127</u>	<u>\$ 286</u>	<u>\$ 946</u>

The accompanying notes are an integral part of this financial statement.

FOREVER OUR CHILDREN, INC.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2004

Increase <decrease> in cash and cash equivalents

Cash flows from operating activities:

Decrease in net assets \$ < 630>

Adjustments to reconcile decrease in net assets
to net cash used in operating activities:

Return of funds to funding source \$ < 30>

Changes in assets and liabilities:

Decrease in grants receivable 450

Decrease in accounts payable and accrued liabilities < 1,880> < 1,460>

Net cash used in operating activities < 2,090>

Cash flows from financing activities:

Proceeds from financial institution 58,938

Payments to financial institution < 57,200>

Net cash provided by financing activities 1,738

Net decrease in cash and cash equivalents < 352>

Cash and cash equivalents, beginning of year 2,118

Cash and cash equivalents, end of year \$ 1,766

Cash flow information:

Interest paid \$ 829

The accompanying notes are an integral part of this financial statement.

FOREVER OUR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the corporation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Nature of Activities

Forever Our Children, Inc. was organized to provide instruction and tutorial assistance in reading and mathematics, as well as general assistance with homework assignments. Computers are an integral part of the learning process and also serve as an aid to reinforce skills that are taught at the school and at Forever Our Children, Inc.

2. Financial Statement Presentation

The corporation's financial statements are presented in accordance with requirements established by the Financial Accounting Standards Board (FASB) as set forth in the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations." Accordingly, the net assets of the corporation are reported in each of the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. There were no permanently restricted net assets.

Net assets of the restricted class are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

3. Revenue Recognition

For financial reporting, the corporation recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or 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".

Grant revenue is recognized as it is earned in accordance with approved contracts.

4. Receivables

The corporation considers accounts receivables to be fully collectible since the balance consists primarily of payments due under government contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

FOREVER OUR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Property and Equipment

Forever Our Children, Inc. records property acquisitions at cost. Donated assets are recorded at estimated value at date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets.

It is the policy of the corporation to capitalize all property, furniture, and equipment with an acquisition cost in excess of \$5,000.

6. 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.

7. Cash Equivalents

For purposes of the statement of cash flows, the corporation considers all investments with original maturities of three months or less to be cash equivalents.

8. Fair Values of Financial Investments

Cash and cash equivalents carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those investments.

9. Memorandum Only - Total Columns

Total columns are captioned "Memorandum Only" to indicate that they are presented only to assist with financial analysis. Data in those columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE B - GRANT RECEIVABLE

Grant receivable at June 30, 2004 consists of the following:

State of Louisiana - Department of Economic Development	<u>\$ 11,758</u>
---	------------------

FOREVER OUR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE C - NOTE PAYABLE - BANK

The note payable -- bank at June 30, 2004 consists of the following:

Unsecured \$15,000 revolving line-of-credit with an interest rate of 10%	<u>\$ 6,738</u>
---	-----------------

Interest paid for the year ended June 30, 2004 totaled \$829.

NOTE D - COMMITMENT

The Corporation leases property under one year operating leases expiring June 30, 2004. The rental expense for the year ended June 30, 2004 totaled \$20,700.

NOTE E - SUMMARY OF FUNDING

Forever Our Children, Inc.'s funding for grants and contracts consist of the following:

Grants	Period	Grant Award	Revenue Recognized
State of Louisiana - Department of Economic Development	7/1/03-6/30/04	\$ 148,875	\$ 148,699
State of Louisiana - Governor's Office of Urban Affairs and Development	7/1/03-6/30/04	228,000	<u>228,000</u>
			<u>\$ 376,699</u>

NOTE F - INCOME TAXES

The corporation is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE G - BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

FOREVER OUR CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE H - ECONOMIC DEPENDENCY

Forever Our Children, Inc. received the majority of its revenue from funds provided through grants administered by the State of Louisiana Department of Economic Development and the Governor's Office of Urban Affairs and Development. The grant amounts are appropriated each year by the state government. If significant budget cuts are made at the state level, the amount of the funds the corporation receives could be reduced significantly and have an adverse impact on its operations. At the time of completion of the examination of the corporation's financial statements, management was not aware of any actions taken that would adversely affect the amount of funds the corporation will receive in the next fiscal year.

The corporation's support through state grants totaled 99% for the year ended June 30, 2004.

SUPPLEMENTAL INFORMATION

FOREVER OUR CHILDREN, INC.

COMBINED STATEMENT OF ACTIVITIES

For the year ended June 30, 2004

	Governor's Office of Urban Affairs and Development	State of Louisiana Department of Economic Development	General	Total
REVENUES				
Grant appropriations	\$ 228,000	\$ 148,699	\$ -	\$ 376,699
Interest income	-	-	657	657
Other income	-	-	1,769	1,769
Total revenues	<u>228,000</u>	<u>148,699</u>	<u>2,426</u>	<u>379,125</u>
EXPENSES				
Salaries	104,667	80,282	-	184,949
Fringe benefits	10,601	6,230	-	16,831
Travel	3,000	-	-	3,000
Occupancy expense	20,700	-	-	20,700
Insurance	9,318	-	-	9,318
Contract services	61,723	45,521	-	107,244
Program activities	7,483	9,492	-	16,975
Supplies	3,208	5,671	-	8,879
Telephone	3,856	-	-	3,856
Postage	438	3,722	-	4,160
Equipment expense	3,000	-	-	3,000
Other	609	11	223	843
Total expenses	<u>228,603</u>	<u>150,929</u>	<u>223</u>	<u>379,755</u>
Increase <decrease> net assets	< 603>	< 2,230>	2,203	< 630>
Transfer to/from general	730	2,230	< 2,960>	-
Return of funds to funding source	-	-	< 30>	< 30>
Net assets, beginning of year	-	-	946	946
Net assets, end of year	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ 159</u>	<u>\$ 286</u>

Justin J. Scanlan, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT
4769 ST. ROCH AVE. NEW ORLEANS, LOUISIANA 70122
TELEPHONE: (504) 288-0050

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

Board of Directors
Forever Our Children, Inc.

I have audited the financial statements of Forever Our Children, Inc. as of and for the year ended June 30, 2004, and have issued my report thereon dated August 25, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America 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 Forever Our Children, 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 Forever Our Children, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Forever Our Children, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-1, 2004-2, and 2004-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the audit committee, management, Louisiana Legislative Auditor, and others within the organization, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Justin J. Scanlan, CPA

New Orleans, Louisiana
August 25, 2004

FOREVER OUR CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2004

A. FINDINGS – FINANCIAL AUDITS

Reportable Conditions

2004-1 Segregation of Duties

Condition: Except for maintaining the general ledger and reconciling the bank accounts, the administrator is responsible for all key accounting functions. This condition is a direct result of a limited staff.

Criteria: The accounting functions should be performed by a few individuals to assure a proper segregation of duties.

Effect: The organization is unable to assure that its assets are properly safeguarded.

Questioned Costs: Not applicable.

Recommendation: The board of directors should be involved in the review of monthly financial statements and be involved in key decisions.

Response: See Corrective Action Plan.

2004-2 Payroll Tax Returns and Deposits

Condition: The payroll tax returns and deposits were not filed in accordance with federal and state regulations.

Criteria: Payroll tax returns and deposits should be filed in accordance with the rules and regulations established by regulatory agencies.

Effect: The corporation may be subject to interest and penalties.

Questioned Costs: Not applicable.

Recommendation: All payroll tax returns and deposits should be filed in accordance with federal and state regulations.

Response: See Corrective Action Plan.

FOREVER OUR CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2004

A. FINDINGS – FINANCIAL AUDITS - CONTINUED

2004-3. Accounting System

Condition: A review of the general ledger noted the following:

1. The general ledger was not in balance at June 30, 2004. The trial balance was not in balance by \$94.17.
2. The loan proceeds were miscoded. They were recognized as grant revenue.

Criteria: The accounting system should be in balance at all times. The debts must equal the credits while utilizing a double-entry accounting system. Loan proceeds should not be recognized as income, they should be recorded as a liability in the accounting records.

Effect: The financial statements generated by the outside accountant is incorrect and unreliable. Financial decisions are compromised with misleading financial statements.

Questioned Costs: Not Applicable.

Recommendation: Management should review financial records and statements to assure they are accurate and complete.

Response: See Corrective Action Plan.

FOREVER OUR CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2004

B. STATUS OF PRIOR YEAR AUDIT FINDINGS

The status of the prior year audit findings are as follows:

	Resolved	Unresolved	Current Finding No.
1. Segregation of Duties		X	2004-1
2. Cash	X		
3. Payroll Tax Returns and Deposits		X	2004-2
4. Prior Year Audit Adjustments	X		

Forever Our Children, Inc

3200 St. Bernard Ave. Suite 100
New Orleans, LA 70119
Office: (504) 947-5799
Fax: (504) 947-8828
www.foreverourchildren.org



GERALYN M. LABBE, MSW
Executive Director

September 1, 2004

Justin Scanlan, CPA
4759 St. Roch Avenue
New Orleans, LA 70122

Gentlemen:

In response to the recent Audit Findings:

MLC 04-01 Segregation of Duties

It is the intent of Management to keep our Board of Directors apprised of the corporation's financial condition at quarterly board meetings. The Board will be advised that financial information is available on a monthly basis for any member to review.

MLC 04-02 Payroll Tax Returns and Deposits

The accountant prepared payroll tax returns incorrectly and filed them late. Management has hired a new accountant and is in the process of amending the tax returns. Management also implemented a new payroll tax system whereby payroll tax returns will be filed electronically.

MLC 04-03 Accounting System

Management has hired a new accountant who will ensure that the accounting system will be in balance at all times.

If you need further information, please do not hesitate to contact us.

Sincerely,

GERALYN M. LABBE, MSW, GSW
Executive Director