

9899

RECEIVED
LEGISLATIVE AUDITOR
04 OCT -5 AM 11:15

**Algiers Economic Development
Foundation, Inc**

**Financial Statements
With Independent Auditor's Report Thereon**

Year Ended June 30, 2004

Under provisions of state law, this report is a public document. A copy of this report has been furnished 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 10-13-04

TABLE OF CONTENTS

Independent Auditor's Report.....	1
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Cash Flows.....	5
Statement of Functional Expenses.....	6
Notes to Financial Statements.....	7
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
Report on Contract Compliance Requirements with State Laws And Regulations for State Contract #253-03104 395359.....	15
Report on Contract Compliance Requirements with State Laws And Regulations for State Contract #253-04082 604848.....	16
Schedule of Prior Year Findings.....	18

CPA



Registered Public
Accountant - CPA

BRIAN E. ADORNO

3053 Mercedes Boulevard • First Floor
New Orleans, Louisiana 70114

Phone: (504) 207-1288
Fax: (504) 287-2220

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Algiers Economic Development Foundation, Inc

I have audited the accompanying statement of financial position of Algiers Economic Development Foundation, Inc (a nonprofit organization) 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 Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 from material misstatement. An audit includes examining, on a test basis, evidence supporting 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 Algiers Economic Development Foundation, 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 a report dated September 1, 2004, on my consideration of Algiers Economic Development Foundation, 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.

Business

+

Taxes

+

Finance

+

Estates

Member:

Louisiana Bar Association



American Institute of
Certified Public
Accountants



Louisiana Society of
Certified Public
Accountants



Board of Directors
Algiers Economic Development Foundation, Inc
Page 2 of 2

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 6 is presented for 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.

Brian E. Adams, CPA

A Professional Corporation
New Orleans, Louisiana
September 1, 2004

ALGIERS ECONOMIC
DEVELOPMENT FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2004

ASSETS

Cash & Cash Equivalents	\$	112,662
Accounts Receivable		63,237
Prepaid Expenses		3,279
Banners		12,180
Computer Equipment		4,893
Accumulated Depreciation		<u>(83,179)</u>
TOTAL ASSETS	\$	<u>214,062</u>

LIABILITIES
& NET ASSETS

CURRENT LIABILITIES:

Accounts Payable	\$	10,988
Payroll Taxes Payable		1,158
Unearned Revenue		<u>1,270</u>
TOTAL CURRENT LIABILITIES	\$	<u>13,416</u>

NET ASSETS:

Unrestricted	\$	30,140
Temporarily Restricted		<u>114,554</u>
TOTAL NET ASSETS	\$	<u>204,694</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>214,062</u>

See Accountant's Report and Notes to Financial Statements.

ALGIERS ECONOMIC
DEVELOPMENT FOUNDATION, INC.

STATEMENT OF ACTIVITIES

For the Twelve Months Ended June 30, 2004

UNRESTRICTED NET ASSETS

REVENUE AND OTHER SUPPORT:

Membership Dues	\$ 4,135
Investment Return	230
Net Special Events Income	7,583
Net assets released from restrictions:	
Satisfaction of program requirements	<u>161,209</u>
	<u>173,157</u>

EXPENSES:

Program Services	
Economic Growth Encouragement	143,263
Supporting Services	
Management and General	<u>15,946</u>
	<u>161,209</u>

INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS 11,948

TEMPORARILY RESTRICTED NET ASSETS

SUPPORT:

State of Louisiana Department of Economic Development	144,741
Net assets released from restrictions:	
Satisfaction of program requirements	<u>(161,209)</u>

**INCREASE (DECREASE) IN TEMPORARILY
RESTRICTED NET ASSETS** (16,468)

INCREASE (DECREASE) IN NET ASSETS (4,520)

NET ASSETS AT BEGINNING OF YEAR 208,219

NET ASSETS AT END OF YEAR \$204,699

ALGIERS ECONOMIC
DEVELOPMENT FOUNDATION, INC.

STATEMENT OF CASH FLOWS

For the Twelve Months Ended June 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Income (Decrease) in net assets	(54,520)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	13,191
(Increase) decrease in operating assets:	
Accounts Receivable	1,461
Prepaid Expenses	(1,147)
(Decrease) increase in operating liabilities:	
Accounts Payable	(14,729)
Unearned Revenue	(3,575)
Payroll Taxes Payable	1,158
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>18,661</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment in fixed assets	<u>(3,800)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(3,800)</u>
NET INCREASE (DECREASE) IN CASH	(14,891)
CASH AT BEGINNING OF YEAR	<u>146,353</u>
CASH AT END OF YEAR	<u>\$131,462</u>

ALGIERS ECONOMIC
DEVELOPMENT FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Twelve Months Ended June 30, 2004

EXPENSES	Program Service Economic Growth Encouragement	Supporting Services Management and General	Total
Accounting & Legal		\$ 3,838	\$ 3,838
Advertising	\$ 6,820		6,820
Bank Service Charges		179	179
Banner Installations/Dismantling	9,638		9,638
Consulting Fees	1,898		1,898
Contract Labor	7,318		7,318
Depreciation	13,190		13,190
Dues & Subscriptions		194	194
Executive Directors	34,833		34,833
Grants	8,550		8,550
Insurance		1,771	1,771
Marketing	11,727		11,727
Meeting Expenses	2,333		2,333
Newsletter Costs	14,114		14,114
Office Expenses		3,141	3,141
Other Expenses		352	352
Outside Services	14,189		14,189
Parking and Tolls	24		24
Payroll Expenses	341		341
Postage	1,732		1,732
Printing and Publications	4,032		4,032
Rent	13,020		13,020
Repairs		181	181
Small Emerging Business Class	702		702
Storage Rental		1,481	1,481
Telephone and Data Line		3,799	3,799
Travel	1,680		1,680
Total	\$ 143,363	\$ 15,946	\$ 161,309

ALGERS ECONOMIC DEVELOPMENT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Twelve Months Ended June 30, 2004

I. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Algiers Economic Development Foundation, Inc. (the Organization) was established in Louisiana in 1992 as a non-profit corporation to encourage, foster, coordinate, and advance economic growth, to protect and encourage residential development, and to promote civic pride and awareness of the Algiers section of the City of New Orleans.

Basis of Accounting

The Organization uses the accrual method of accounting and follows the standards of accounting and financial reporting outlined by the American Institute of Certified Public Accountants in its Audit and Accounting Guide, *Not-for-Profit Organizations*.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Fair Values of Financial Instruments

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, short-term investments, and promises to give due in less than one year: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of these instruments.

Property, Plant and Equipment

Property and equipment are carried at cost. Depreciation is provided using the straight-line method over estimated useful lives ranging from three to fifteen years.

Expenditures for maintenance and repairs are charged to operations as incurred. Expenditures for betterment's and major renewals are capitalized. The cost of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal and the resulting gains or losses are recognized.

ALGERS ECONOMIC DEVELOPMENT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Twelve Months Ended June 30, 2004

I. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (cont.)

Income Taxes

The Organization operates as a nonprofit entity and has been granted tax-exempt status by the Internal Revenue Service (IRS) under Section 501(c)(4) of the Internal Revenue Code. The Organization's exempt status is recognized by the State of Louisiana. Accordingly, no provision has been made in these statements for federal or state income taxes.

Donated Services

Certain members of the Board of Directors have donated significant amounts of time to the Organization. The value of this contributed time is not reflected in these statements, as it is not susceptible to objective measurement or valuation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Revenue Recognition

Under the standards contained in the AICPA Audit and Accounting Guide, *Not-for-Profit Organizations*, contributions are recorded when received unless susceptible to accrual.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or when purpose of the 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.

Financial Statement Presentation

Under SFAS No. 117, the Organization 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. In addition, the Organization is required to present a statement of cash flows.

ALGIERS ECONOMIC DEVELOPMENT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Twelve Months Ended June 30, 2004

2. PROPERTY, PLANT & EQUIPMENT

Property and Equipment consist of the following at June 30, 2004:

Buildings	\$72,180
Computer Equipment	<u>6,883</u>
Total Property, Plant & Equipment	79,063
Less accumulated depreciation	<u>(50,125)</u>
Net Property, Plant & Equipment	<u>\$28,938</u>

Depreciation expense for all property, plant and equipment is charged to program services and totaled \$13,190 for the twelve months ended June 30, 2004.

3. STATE FUNDS, TEMPORARILY RESTRICTED

On July 1, 2002, the Organization entered into a cooperative endeavor agreement with the State of Louisiana, Department of Economic Development to strengthen and expand existing economic development in the Algiers area, in retaining existing business, and in recruiting new economic enterprises to the area. Under the terms of the agreement, the Organization was reimbursed for services provided upon approval of Cost Reports submitted to the Louisiana Department of Economic Development. The total cost of this agreement was not to exceed \$100,000. The original contract term was for one year beginning July 1, 2002. The contract was extended through December 31, 2003. During the fiscal year ending June 30, 2004, the Organization received \$100,000 for expenses incurred.

In October 2002, the Organization entered into a memorandum of understanding with the Louisiana Department of Economic Development, Small Emerging Business Development Program (SEBD) to promote the SEBD and increase the number of certified clients in the program and provide Department-approved business and technical assistance, training, and ongoing assistance to provide maximum opportunity for Small and Emerging businesses in Louisiana to become competitive in a non-preferential modern economy. Under the terms of the agreement, the Organization would be reimbursed for expenses incurred not to exceed

ALGIERS ECONOMIC DEVELOPMENT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Twelve Months Ended June 30, 2004

3. STATE FUNDS, TEMPORARILY RESTRICTED (continued)

\$25,000. The agreement began on September 15, 2002 and terminated on June 30, 2003. This agreement was amended to extend its termination date until December 31, 2003. During the fiscal year ending June 30, 2004, the Organization received \$10,655 for expenses incurred.

On July 1, 2003, the Organization entered into another cooperative endeavor agreement with the State of Louisiana, Department of Economic Development to strengthen and expand redevelopment and economic development in the Algiers area, in providing and improved environment for its citizens, in retaining existing businesses, and in recruiting new economic enterprises to the area. Under the terms of the agreement, the Organization will be reimbursed for services provided upon approval of Cost Reports submitted to the Louisiana Department of Economic Development. The total cost of this agreement is not to exceed \$248,125. The original contract term was for one year beginning July 1, 2003. The contract was extended through December 31, 2004. During the fiscal year ending June 30, 2004, the Organization received \$33,746 for expenses incurred. As of June 30, 2004, the Organization was due \$85,278 for costs expended during the fiscal year.

4. RELATED PARTY TRANSACTIONS

During the fiscal year ending June 30, 2004, the Organization was in a period of transition. The tenure of its long-term Executive Director ended on December 31, 2003. The Organization had an agreement with the former Executive Director to coordinate committee activities, develop economic strategies, and manage the administrative aspects of the Organization. The former Executive Director was not considered an employee of the Organization, but received compensation for her services. During the twelve months ending June 30, 2004, the former Executive Director was paid \$26,000 for services rendered.

The Organization purchased \$4,300 of office furniture and equipment from Little Wood Associates, owned by the former Executive Director. In addition, Little Wood Associates was reimbursed \$500 for expenses incurred on behalf of the Organization.

From the period between January 1, 2004 thru May 31, 2004, the Executive Director position was filled on a temporary basis. The Executive Director was paid as a contractor. The Executive Director was paid \$13,500 for services rendered.

ALGIERE ECONOMIC DEVELOPMENT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Twelve Months Ended June 30, 2004

4. RELATED PARTY TRANSACTIONS (continued)

Beginning June 1, 2004, the Organization entered into an agreement with the current Executive Director. The Executive Director is considered an employee of the Organization and receives an annual salary of \$48,000. During the twelve months ending June 30, 2004, the Executive Director was paid \$3,333.

Occasionally, the Organization provides reimbursement to the Executive Director and various Members of the Board of Directors for expenses incurred in the operations of the Organization. During the twelve months ending June 30, 2004, the Executive Directors and Members of the Board of Directors received a total of \$1,958 and \$800, respectively, as reimbursement for expenses incurred.

Other Directors, through direct ownership of affiliated organizations, which provided services and/or products to Organization, were paid \$1,670 during the fiscal year ending June 30, 2004.

5. LEASE

In January 2002, the Organization entered into a lease agreement with Tial Properties, LLC for office space for a term of one year to be paid in monthly installments of \$1,085 beginning February 1, 2002. The lease agreement was amended several times. In January 2004, the lease was extended through December 31, 2004. Rent paid under this agreement during the fiscal year ending June 30, 2004 totaled \$13,028.

6. ECONOMIC DEPENDENCY

The Organization receives approximately sixty-two percent of its support from appropriated funds provided by agencies of the State of Louisiana.

7. CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Organization to concentrations of credit risk, include cash deposits with a commercial bank. The Organization's cash management

ALGIERS ECONOMIC DEVELOPMENT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Twelve Months Ended June 30, 2004

7. CONCENTRATIONS OF CREDIT RISK (continued)

policy limit its exposure to concentration of credit risk by maintaining primary cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). The amount in excess of FDIC coverage as of June 30, 2004 was \$38,021.



**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
 Algiers Economic Development Foundation, Inc.

I have audited the financial statements of Algiers Economic Development Foundation, Inc. (a nonprofit organization), as of and for the year ended June 30, 2004, and have issued my report thereon dated September 1, 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 Algiers Economic Development Foundation, 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 these 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. I have noted other matters involving noncompliance with certain contract provisions, which I have reported to management of Algiers Economic Development Foundation, Inc. in a separate letter, dated September 1, 2004.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Algiers Economic Development Foundation, Inc.'s internal control over financial reporting in order to determine my 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. 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 weaknesses. A material weakness is a

Business



Taxes



Finance



Estates

Member

Institute for Association



American Institute of
 Certified Public
 Accountants



American Society of
 Certified Public
 Accountants



To the Board of Directors
Algiers Economic Development Foundation, Inc

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 an employee 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. I have noted other matters involving internal control over financial reporting, which I have reported to management of Algiers Economic Development Foundation, Inc. 's in a separate letter dated September 1, 2004.

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

Doris E. Adams, CPA
A Professional Corporation
New Orleans, Louisiana
September 1, 2004

CPA



Chartered Public
Accountant, CPA

BRIAN E. ADORNO

3521 Metairie Boulevard • First Floor
New Orleans, Louisiana 70114

Phone (504) 337-2288
Fax (504) 331-2288

REPORT ON CONTRACT COMPLIANCE REQUIREMENTS WITH STATE LAWS AND REGULATIONS FOR STATE CONTRACT #252-03104 595359

To the Board of Directors of
Algiers Economic Development Foundation, Inc

Business

•

Taxes

•

Finance

•

Estates

I have audited the accompanying financial statements of Algiers Economic Development Foundation, Inc. (a nonprofit organization) as of June 30, 2004, and have issued the report thereon dated September 1, 2004. My audit was made in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards issued by the Comptroller General of the United States.

The management of Algiers Economic Development Foundation, Inc. is responsible for the compliance with laws and regulations. My responsibility is to express an opinion on Algiers Economic Development Foundation, Inc.'s compliance based on my audit.

In connection with the audit referred to above, I selected and tested transactions and records from the state contract, number 252-03104 595359. The purpose of my testing of transactions and records from that contract was to obtain reasonable assurance that Algiers Economic Development Foundation, Inc. had, in all material respects, administered the contract in compliance with laws and regulations, noncompliance with which I believe could have a material effect on the allowability of contract expenditures.

My testing of transactions and records disclosed no instances of noncompliance with these laws and regulations.

In my opinion, for the year ended June 30, 2004, Algiers Economic Development Foundation, Inc. administered the state contract number 252-03104 595359 in compliance, in all material respects, with laws and regulations, noncompliance with which I believe could have a material effect on the allowability of contract expenditures.

This report is intended solely for the information and use of management, others within the Organization, the Louisiana Department of Economic Development, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Brian E. Adorno, CPA

A Professional Corporation
New Orleans, Louisiana
September 1, 2004

Member:

Chartered Accountant

(CA)

American Institute of
Certified Public
Accountants

(CA)

Louisiana Society of
Certified Public
Accountants





**REPORT ON CONTRACT COMPLIANCE REQUIREMENTS
 WITH STATE LAWS AND REGULATIONS FOR STATE CONTRACT
 #251-04882 684948**

To the Board of Directors of
 Algiers Economic Development Foundation, Inc

I have audited the accompanying financial statements of Algiers Economic Development Foundation, Inc (a nonprofit organization) as of June 30, 2004, and have issued the report thereon dated September 1, 2004. My audit was made in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards issued by the Comptroller General of the United States.

The management of Algiers Economic Development Foundation, Inc is responsible for the compliance with laws and regulations. My responsibility is to express an opinion on Algiers Economic Development Foundation, Inc.'s compliance based on my audit.

In connection with the audit referred to above, I selected and tested transactions and records from the state contract, number 251-04882 684948. The purpose of my testing of transactions and records from that contract was to obtain reasonable assurance that Algiers Economic Development Foundation, Inc had, in all material respects, administered the contract in compliance with laws and regulations, noncompliance with which I believe could have a material effect on the allowability of contract expenditures.

My testing of transactions and records disclosed no instances of noncompliance with those laws and regulations, which I believe could have a material effect on the allowability of contract expenditures. I have noted other matters of noncompliance with certain contract provisions, which I have reported to the management of Algiers Economic Development Foundation, Inc, in a separate letter, dated September 1, 2004.

In my opinion, for the year ended June 30, 2004, Algiers Economic Development Foundation, Inc, administered the state contract number 251-04882 684948 in compliance, in all material respects, with laws and regulations, noncompliance with which I believe could have a material effect on the allowability of contract expenditures.

Business

+

Taxes

+

Finance

+

Estates

Member:

Institute for Accountants


 American Institute of
 Certified Public
 Accountants

 Institute Society of
 Certified Public
 Accountants


To the Board of Directors of
Algiers Economic Development Foundation, Inc

This report is intended solely for the information and use of management, others within the Organization, the Louisiana Department of Economic Development, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Brian E. Adams CPA

A Professional Corporation
New Orleans, Louisiana
September 1, 2004

**Schedule of Prior Year Findings
For the Year Ended June 30, 2004**

Section I – Internal Control and Compliance Material to the Financial Statement

No comments.

Section II – Internal Control and Compliance Material to Federal Awards

Not applicable.

**Section III – Contract Compliance Requirements with State Laws
And Regulations for State Contract #351-03184 585329**

No comments.

**Section IV – Contract Compliance Requirements with State Laws
And Regulations for State Contract # 353-04082 604948**

Not applicable.

Section V – Management Letter

2003-1 Cash Disbursements

Recommendation: That prior to payment, all supporting invoices should be signed by an authorized officer for documentation of approval of the transaction.

Unresolved: See Management Letter 2003-1 Cash Disbursements

2003-2 Cash Management

Recommendation: Management should maintain cash balances below federal deposit insurance company (FDIC) limits.

Unresolved: See Management Letter 2003-2 Cash Management

2003-3 Organizational Structure

Recommendation: Given the size of the Organization's administrative staff, which precludes optimal segregation of duties, the Board of Directors should remain closely involved in the financial affairs of the Organization to provide oversight and independent review functions.

Partially Resolved

CBA



Member Since
12/2004

BRIAN E. ADORNO

3053 Mercedes Boulevard - First Floor
New Orleans, Louisiana 70114

Phone: (504) 577-2220

Fax: (504) 577-2220

September 1, 2004

To the Board of Directors
Algiers Economic Development Foundation, Inc.

In planning and performing my audit of the financial statements of Algiers Economic Development Foundation, Inc. for the year ended June 30, 2004, I considered the Organization's internal control structure to plan my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on internal control structure.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls and operational efficiency. This letter does not affect my report dated September 10, 2004 on the financial statements of Algiers Economic Development Foundation, Inc.

I will review the status of these comments during my next audit engagement. I have already discussed many of these comments and suggestions with the appropriate members of management. I will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. My comments are summarized as follows:

2003-1 Cash Disbursements

While testing cash disbursements, I noted that an authorized officer did not sign supporting invoices for approval for payment. In addition, several expenditures lacked supporting documentation.

I recommend that an invoice be obtained for every transaction made by the Organization. In addition, prior to payment all invoices should be reviewed and signed by the authorized officer for documentation of approval of the transaction.

2003-2 Cash Management

It was noted that during the fiscal year that the Company's bank balances exceeded federal deposit insurance limits at year-end and the excess account balances were not secured by additional pledged collateral by the financial institution.

Business



Taxes



Finance



ESL1169

Member

Louisiana Bar Association



American Institute of
Certified Public
Accountants



Division Society of
Certified Public
Accountants



Board of Directors
September 1, 2004
Algebra Economic Development Foundation, Inc
Page 2 of 4

Management should make substantial efforts to either maintain bank balances below Federal deposit insurance limits thereby eliminating the need to pledge securities, or make arrangements with financial institutions to secure bank balances in excess of federal insurance with pledged securities.

2003-3 Bank Reconciliation Reports and Consolidation of Bank Accounts

The bank reconciliations for the operating account for the fiscal year ending June 30, 2004 were not reconciled in a timely manner.

Bank account reconciliations should be done shortly after month-end to ensure the accuracy of cash account balances in the general ledger.

The Organization maintains five bank accounts with several financial institutions. Given there are no specific requirements to maintain separate bank accounts and the Executive Director is the only person reconciling these accounts, the Organization may consider consolidating those bank balances for ease of account reconciliation being mindful, however of FDIC insurance limits.

2003-4 Board of Directors Minutes

Minutes from several meetings by the Board of Director's were missing during the fiscal period.

An agenda for all meetings should be given to all Board members and minutes should be prepared by the Organization's Secretary in a timely fashion and presented at the next Board meeting for approval. The Secretary should also retain minutes as part of the permanent company records.

2003-5 Financial Data Access, Storage and Backup

The Organization uses QuickBooks Pro 2001 Accounting Software for its financial reporting.

This version of QuickBooks should be upgraded as a result of the manufacturer no longer supporting this version of their product.

Through inquiry of management, it was discovered that backups of the Organization's financial data are not being made.

In case of computer hardware failure or any other extraordinary occurrence, which could affect the Organization's financial reporting ability, the Organization should maintain nightly backups of financial data and retain it at a secure offsite location.

Board of Directors
September 1, 2004
Algiers Economic Development Foundation, Inc
Page 3 of 4

The Organization does password protect its financial data, however, it was noted that the password had not been changed since recent changes in management.

Passwords should be changed periodically to ensure that access to financial information is restricted to those approved by management.

2003-6 Organizational Structure

The size of the Organization's administrative staff precludes certain internal controls that would be preferred if the office were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains closely involved in the financial affairs of the Organization to provide oversight and independent review functions.

2003-7 Reporting Compliance Requirements

As part of the cooperative endeavor agreement signed with the Louisiana Department of Economic Development, the Organization is required to submit written Progress Reports on a quarterly basis. The Organization did not file a quarterly report by April 15, 2004 for the third fiscal quarter as required by the contract due to a change in the Executive Director position. This Progress Report was submitted late with the July 15, 2004 submission.

The Organization must timely issue Progress Reports to the Louisiana Department of Economic Development on a quarterly basis as required by the contract agreement to avoid possible forfeiture of grant funds.

2003-8 Issuance of 1099-Misc Forms

The Organization did not prepare 1099-Misc Forms for persons paid more the \$600 for services rendered during the calendar year 2003.

As required by federal law, the Organization must issue a Form 1099-Misc for any payments of \$600 or more made to persons not treated as employees for services performed for their business.

2003-9 Receipt of Membership Dues and Updating of Membership Dues Base

The Organization did not utilize its database program to record its collection of membership dues for membership eligibility and consequently updating its membership database.

The management of the Organization should implement use of its automated membership database for dues collection and the process of updating its current list of members.

Board of Directors
September 1, 2004
Algiers Economic Development Foundation, Inc
Page 4 of 4

2003-04 Account Coding and Classification

It was noted during the test of transactions, that several expenses were coded to the incorrect accounts.

After month-end, a review of the general ledger should be made by the Executive Director, the Treasurer or other authorized person to ensure the accuracy of account coding.

2003-04 Expenditures made and not approved by Board of Directors

It was noted that expenditures were made for various purchases, which lacked approval from the Board of Directors. Purchases of \$1,000 of assets were made from the company of the former Executive Director, which were not approved by the Board of Directors.

The Board of Directors should approve all expenses in excess of \$1,000 and all purchases from related parties. This approval should be documented in the minutes maintained by the Organization.

I wish to thank Ms. Kathy Lynn Hensicker for her support and assistance during my audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Organization.

Brian E. Adams, CPA
A Professional Corporation

MANAGEMENT'S CORRECTIVE ACTION PLAN

To Management Letter (2003-04 Audit) on Internal Controls/Operating Efficiency
For the Year Ended June 30, 2004

2003-1 Cash Disbursements

Suggestion: Recommend that an invoice be obtained for every transaction made by the Organization. In addition, prior to payment all invoices should be reviewed and signed by the authorized officer for documentation of approval of the transaction.

Action/Response: An invoice will be obtained for every transaction in the future. Although invoices lack approval from an authorized officer, the organization requires two signatures on all checks. It is our opinion that these controls are sufficient for minimizing unauthorized cash transactions.

2003-2 Cash Management

Suggestion: Management should make substantial efforts to either maintain bank balances below federal deposit insurance limits thereby eliminating the need to pledge securities, or make arrangements with financial institutions to secure bank balances in excess of federal insurance with pledged securities.

Action/Response: The Treasurer and Executive Director will review cash balances monthly to determine if cash maintained at each institution exceeds FDIC limits. Should, this occur, the board of directors will be asked to transfer money to a different financial institution to limit the organizations exposure to this financial risk.

2003-3 Bank Reconciliation Reports and Consolidation of Bank Accounts

Suggestion: Bank account reconciliations should be done shortly after month-end to ensure the accuracy of cash account balances in the general ledger.

The Organization should consider consolidating those bank balances into one account for ease of account reconciliation being mindful, however of FDIC insurance limits.

MANAGEMENT'S CORRECTIVE ACTION PLAN

To Management Letter (2003-04 Audit) on Internal Controls/Operating Efficiency
For the Year Ended June 30, 2004

Action/Response: Bank statements will be reconciled monthly on a timely basis by the new executive director. Also the five accounts will be reviewed for consolidation as recommended.

2003-4 Board of Directors Minutes

Suggestion: An agenda for all meetings should be given to all Board members and minutes should be prepared by the Organization's Secretary in a timely fashion and presented at the next Board meeting for approval. The Secretary should also retain minutes as part of the permanent company records.

Action/Response: An agenda for all meetings is now emailed to all board members before each meeting and after each meeting the minutes are also emailed within 3 days. The minutes are then presented at the next meeting for approval by the board. The Executive Director maintains all minutes and agendas for the organization. A second copy will be kept by the Secretary of the board.

2003-3 Financial Data Access, Storage and Backup

Suggestion: The current version of QuickBooks should be upgraded as a result of the manufacturer no longer supporting this version of their product.

The Organization should maintain nightly backups of financial data and retain it at a secure offsite location.

Passwords should be changed periodically to ensure that access to financial information is restricted to those approved by management.

Action/Response: An updated version of QuickBooks will be purchased and installed for use. A process for backup and retention of financial data will be set up offsite. Passwords have been changed per the guidance by the auditors, and will continue to be updated.

MANAGEMENT'S CORRECTIVE ACTION PLAN
To Management Letter (2003-04 Audit) on Internal Controls/Operating Efficiency
For the Year Ended June 30, 2004

2003-6 Organizational Structure

Suggestion: The Board of Directors should remain closely involved in the financial affairs of the Organization to provide oversight and independent review functions.

Action/Response: The Treasurer will be closely involved in the financial affairs of the organization and keep the board updated. He will provide oversight and independent review of all financial functions.

2003-7 Reporting Compliance Requirements

Suggestion: The Organization must issue timely Progress Reports to the Louisiana Department of Economic Development on a quarterly basis as required by the contract agreement to avoid possible forfeiture of grant funds.

Action/Response: The organization will meet the deadlines per the contract agreement.

2003-8 Issuance of 1099-Misc Forms

Suggestion: The Organization must issue a Form 1099-Misc for any payments of \$600 or more made to persons not treated as employees for services performed for their business.

Action/Response: The organization will issue a Form 1099 to any/all persons not treated as employees for services performed during the calendar year.

2003-9 Receipt of Membership Dues and Updating of Membership Data Base

Suggestion: The management of the Organization should implement use of its automated membership database for dues collection and the process of updating its current list of members.

MANAGEMENT'S CORRECTIVE ACTION PLAN

To Management Letter (2003-04 Audit) on Internal Controls/Operating Efficiency
For the Year Ended June 30, 2004

Action/Response: Management did use the database, but it was not completely updated nor was it timely. The new management has updated the membership manually and is in process of updating all membership records on the database.

2003-10 Account Coding and Classification

Suggestion: After month-end, a review of the general ledger should be made by the Executive Director, the Treasurer or other authorized person to ensure the accuracy of account coding.

Action/Response: The Executive Director and Treasurer will implement a monthly process to insure the accuracy of account coding.

2003-11 Expenditures made and not approved by Board of Directors

Suggestion: The Board of Directors should approve all expenses in excess of \$1,000 and all purchases from related parties. This approval should be documented in the minutes maintained by the Organization.

Action/Response: All expenses in excess of \$1,000 (excluding normal monthly operating expenses such as office rent already approved in the budget), will be approved by the board and documented in the minutes.

Title:

Kathy L. Horniker, Executive Director

Date:

Sept 1, 2004