

REC
15 OCT 2004
04 OCT 22

VOLUNTEER INSTRUCTORS TEACHING ADULTS
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORTS

Year Ended 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 11-10-04

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	4-5
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	6
STATEMENT OF ACTIVITIES	7
STATEMENT OF CASH FLOWS	8
STATEMENT OF FUNCTIONAL EXPENSES	9
NOTES TO FINANCIAL STATEMENTS	10-14

LOUIS R. ROLFES II, CPA
A PROFESSIONAL ACCOUNTING CORPORATION
900 SOUTH COLLEGE ROAD, SUITE 200-A
P. O. BOX 52266
LAFAYETTE, LOUISIANA 70505-2266

LOUIS R. ROLFES II, CPA, CVA*
*A PROFESSIONAL CORPORATION

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA C.P.A. S

INDEPENDENT AUDITORS' REPORT

(337) 237-8620
FAX (337) 289-5989
EMAIL: lou@rolfescpa.com

To the Board of Directors
Volunteer Instructors Teaching Adults
Lafayette, Louisiana

We have audited the accompanying statement of financial position of Volunteer Instructors Teaching Adults (VITA) (a not-for-profit corporation) as of June 30, 2004 and the related statements of activities and cash flows for the year ended June 30, 2004. These financial statements are the responsibility of VITA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. 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 and the provisions of the Louisiana Governmental Audit Guide. 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 on VITA as of June 30, 2004, and the changes in net assets and its cash flows for the year ended June 30, 2004 in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 27, 2004, on our consideration of VITA's internal control over financial reporting and our test of 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 our audit.



Louis R. Rolfes II, CPA, APAC
Lafayette, Louisiana
August 27, 2004

LOUIS R. ROLFES II, CPA
A PROFESSIONAL ACCOUNTING CORPORATION
900 SOUTH COLLEGE ROAD, SUITE 200-A
P. O. BOX 52266
LAFAYETTE, LOUISIANA 70505-2266

LOUIS R. ROLFES II, CPA, CVA*
*A PROFESSIONAL CORPORATION

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA C.P.A.'S

(337) 237-8620
FAX (337) 289-5989
EMAIL: lou@rolfescpa.com

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Volunteer Instructors Teaching Adults
Lafayette, Louisiana

We have audited the financial statements of Volunteer Instructors Teaching Adults (VITA) (a not-for-profit corporation) as of and for the year ended June 30, 2004, and have issued our report thereon dated August 27, 2004. We conducted our audit in accordance with U.S. 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 and the provisions of the Louisiana Governmental Audit Guide.

COMPLIANCE As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of VITA's 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 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 VITA'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, the local Board of United Way, the Louisiana Department of Education, and the U.S. Department of Education. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read "L. Rolfes II", with a long horizontal flourish extending to the right.

Louis R. Rolfes II, CPA, APAC
Lafayette, Louisiana
August 27, 2004

VOLUNTEER INSTRUCTORS TEACHING ADULTS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2004

ASSETS

CURRENT ASSETS:

Cash - Checking and Savings (Note A)	\$	210,217
Grants Receivable (Note G)		115,186
Prepaid Expenses		743

TOTAL CURRENT ASSETS 326,146

PLANT AND EQUIPMENT: (Note A)

Furniture & Equipment		124,256
Accumulated Depreciation		(82,568)

TOTAL PLANT AND EQUIPMENT, NET 41,688

OTHER ASSETS:

Deposits		390
----------	--	-----

TOTAL OTHER ASSETS 390

TOTAL ASSETS \$ 368,224

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accrued Payroll Taxes		1,729
Deferred Revenue (Note A)		44,620
TOTAL LIABILITIES		46,349

NET ASSETS:

Unrestricted:		
Operating		244,421
Plant and Equipment		41,688
Total Unrestricted		286,109

Temporarily Restricted 35,766

Permanently Restricted -

TOTAL NET ASSETS 321,875

TOTAL LIABILITIES AND NET ASSETS \$ 368,224

The accompanying notes are an integral part of this statement.

VOLUNTEER INSTRUCTORS TEACHING ADULTS, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2004

SUPPORT AND REVENUE

Contributions	\$	6,719
Grants (Note B)		402,513
Donated Services and Facilities (Note C)		53,982
Cookbook Sales/AGC Golf Tournament/Other Income		15,720
Investment Income		299
		<hr/>
TOTAL SUPPORT AND REVENUE		479,233

EXPENSES

Auditing		3,600
Advertising, including donated (17,722) (Note C)		37,102
Banquet Expense		3,031
Computer Expense		-
Contract Services		17,751
Depreciation		19,414
Professional Services		1,279
Donated Professional Services (Note C)		6,000
Dues and Donations		1,409
Employee and Board lunches		1,783
Insurance		18,821
Miscellaneous		280
Office		6,731
Postage		2,331
Printing		1,885
Rent, including donated (37,912) (Note C)		63,600
Repairs and Maintenance		1,664
Salaries		233,566
Staff Training		2,616
Taxes - Payroll		18,501
Telephone & Utilities		11,435
Training Material		18,019
Travel, Conferences		7,573
Tutor Training		225
		<hr/>
TOTAL EXPENSES		478,616

INCREASE IN NET ASSETS	\$	617
------------------------	----	-----

The accompanying notes are an integral part of this statement.

VOLUNTEER INSTRUCTORS TEACHING ADULTS, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets - increase	\$ 617
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	19,414
Decrease in grants receivable	33,423
Decrease in prepaid expenses	380
(Decrease) in accrued payroll taxes	(508)
(Decrease) in deferred revenue	<u>(15,580)</u>
Total adjustments	<u>37,129</u>
Net cash provided by operating activities	37,746
CASH FLOWS FROM INVESTING ACTIVITIES	
Additions to property and equipment	<u>(6,459)</u>
Net cash (used) by investing activities	(6,459)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net cash (used) by financing activities	<u>-</u>
Net increase/(decrease) in cash	31,287
Beginning cash balance	<u>178,930</u>
Ending cash balance	<u>\$ 210,217</u>

The accompanying notes are an integral part of this statement.

VOLUNTEER INSTRUCTORS TEACHING ADULTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2004

<u>Expenses</u>	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total Expenses</u>
Auditing	\$ -	\$ 3,600	\$ 3,600
Advertising, including donated	37,102	-	37,102
Banquet Expense	3,031	-	3,031
Computer Expense	-	-	-
Contract Services	17,751	-	17,751
Depreciation	-	19,414	19,414
Professional Services	-	1,279	1,279
Donated Professional Services	-	6,000	6,000
Dues and Donations	1,409	-	1,409
Employee and Board Lunches	1,783	-	1,783
Insurance	15,057	3,764	18,821
Miscellaneous	280	-	280
Office	5,385	1,346	6,731
Postage	1,865	466	2,331
Printing	1,508	377	1,885
Rent, including donated	50,880	12,720	63,600
Repairs and Maintenance	-	1,664	1,664
Salaries	186,853	46,713	233,566
Staff Training	2,616	-	2,616
Taxes - Payroll	14,801	3,700	18,501
Telephone & Utilities	9,148	2,287	11,435
Training Material	18,019	-	18,019
Travel	7,573	-	7,573
Tutor Training	225	-	225
Total Expenses	\$ 375,286	\$ 103,330	\$ 478,616

The accompanying notes are an integral part of this statement.

VOLUNTEER INSTRUCTORS TEACHING ADULTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note A – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

VITA is a nonprofit community-based educational organization founded in May 1982 for the purpose of providing tutoring services in the Lafayette area to adults whose reading skills are very limited or non-existent. Specially trained volunteers who can teach reading, writing, and English speaking skills provide goal-oriented tutoring. Tutoring sessions are held for a minimum of 2 hours twice each week in community locations at a time and place convenient to both tutors and students. VITA provides the professional training, materials and support that enable the volunteers to be effective tutors. In January 2000, VITA opened an office in Opelousas to train volunteers and tutor students in St. Landry Parish. This St. Landry Parish program has been funded by a grant from the Governor's office of Urban Affairs and Development.

Change of Fiscal Year

The Board of Directors adopted a new fiscal year end of June 30, 2000 to synchronize VITA's fiscal year with the majority of the grant years. The Board felt this new fiscal year end would improve record keeping and accountability. A Form 990 tax return was filed for the short year (April 1, 2000 to June 30, 2000), and a Form 990 for the fiscal year ended June 30, 2001 was filed in November 2001. The Form 990 for the fiscal year ended June 30, 2004 will be filed on or before November 15, 2004.

Financial Statement Presentation

The Board of Directors adopted provisions of Statement of Financial Accounting Standards No. 116, **Accounting for Contributions Received and Contributions Made** and No. 117, **Financial Statements of Not-for-Profit Organizations** as of April 1, 1995. Statement of Financial Accounting Standards No. 116 requires the Board to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. It also requires recognition of contributed services meeting certain criteria at fair values. Statement No. 117 establishes standards for general purposes external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities and a statement of cash flows.

Continued

Estimates

The preparation of financial statements in conformity with U.S. 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.

Income Tax Status

The organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes.

Property and Equipment

Property and equipment purchased is recorded at cost. The fair market value of donated assets is similarly capitalized and the donation recorded as restricted or unrestricted support. Depreciation is computed on the straight-line method over the estimated useful lives of the individual assets; generally five to seven years.

Accrual Basis of Accounting

The books are routinely maintained on a cash basis and are converted to the accrual basis at year-end for these financial statements. Accrual basis accounting records revenue when earned rather than when received and records expenses when incurred rather than when paid, in accordance with U.S. generally accepted accounting principles.

Accounting for Restricted/Unrestricted Support

VITA reports gifts of cash and other assets as unrestricted support, even if they are received with donor stipulations that limit the use of the donated assets, if the restrictions are met in the reporting period. Since the majority of temporarily restricted grant funds are of a reimbursable nature, the purpose restriction has usually been met before the grant reimbursement is received.

Deferred Revenue - Grants and exchange transactions

Some grants are actually "exchange transactions" that do not qualify as contributions under SFAS 116. In such cases, revenue is not recognized until the services required by the grant are rendered. Until the revenue is recognized, any cash or grant receivable asset must be offset by a "deferred or unearned revenue" liability. These exchange transactions differ from contributions in that the method or type of services reimbursed is stipulated by the granting authority and not by the nonprofit organization.

Cash Equivalents

For purposes of the statement of cash flows, VITA considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Continued

Compensated Absences

Under SFAS 43, an employer generally is required to accrue a liability for employees' rights to receive compensation for future absences. The amount of the compensation is not reasonably estimable and, therefore, no such liability has been accrued. All employees must take all annual leave before August 31 of each year; therefore management believes that any unrecorded liability amounts at June 30, 2003 would be immaterial.

Concentration of Credit Risk

Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash in VITA's checking account exceeded Federally insured limits by \$25,520.69 as of June 30, 2004. This is a temporary situation at certain times of the year when grant fund receipts overlap.

Note B – Federal, State and Local Financial Assistance and Grant Awards & Expenditures

Federal Funds

Department of Education (CFDA #84.002A)	\$	75,902
TANF (CFDA #93.558)		152,306

State/Local Funds

Lafayette Consolidated Government		5,649
La. Department of Education		63,774
Lafayette Parish School Board		20,000
St. Landry Parish School Board		-0-

Other

Dollar General Literacy Foundation		10,000
Walmart Foundation		800
Junior League of Lafayette		80
United Way (Lafayette & St. Landry)		<u>74,002</u>

Total \$ 402,513

Since all federal and state grants are of a reimbursable nature, grant revenue and expenditures are essentially equal.

Continued

Note C – Contributed Services & Facilities (In-Kind)

Contributed services of volunteers are recognized in the statement of activities if the services received:

- (a) Create or enhance non-financial assets (land, building, etc.); or
- (b) Require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations.

Amounts meeting these criteria have been recognized in the following areas:

Donated advertising	\$ 17,722
Donated rent (Lafayette and St. Landry)	37,912
Donated professional (legal and accounting)	6,000
Donated assets (computer)	<u>1,000</u>
TOTAL	<u>\$ 62,634</u>

Note D – Volunteer Tutors

Volunteer tutors are not recognized in the financial statements. Approximately 275 volunteer tutors donated approximately 43,281 hours of time in tutoring approximately 652 adults in the various literacy programs. Because these donated services do not meet the criteria as described in Note C, they are not recorded in the financial statements.

Note E – Subsequent Events

Subsequent to the balance sheet date of June 30, 2004, but prior to the issuance of this report, VITA received a renewal of the Louisiana Department of Education (BASIC) grant for \$143,911 and a renewal of the Louisiana Department of Education (ESL – English as a second language) grant for \$20,000 for the fiscal year July 1, 2004 to June 30, 2005. The BASIC grant reflects an increase of approximately \$20,000 from the previous fiscal year while the ESL grant remains the same as the previous fiscal year.

In 2003-2004, under a TANF (Temporary Aid for Needy Families), the State agreed to reimburse VITA a maximum of \$165,600 for the program year 2003-2004 based on the number of hours of instruction delivered at a reimbursement rate of \$10.00 per hour. VITA actually earned \$152,306 under this formula, or about 92% of the maximum. A STEP grant has been awarded in place of the TANF grant for \$70,508 for the 2004-2005 year. This will result in approximately \$80,000 less grant revenue.

Continued

VITA has also received confirmation that Lafayette Consolidated Government will allocate \$5,200 for VITA in 2004-2005, which remains the same from the previous fiscal year. The grant from United Way of Acadiana for 2005 is not known at the present time but is not expected to vary significantly from current year funding levels of \$66,500.

Note F – Lease Commitments

VITA renewed a four-year lease for the Lafayette office commencing on April 1, 2003 and expiring on March 31, 2007 with Whitney National Bank. The lease calls for a base monthly rent of \$5.50 per square foot increasing to \$6.00 in years 2 and 3 and \$6.50 in year 4 (VITA occupies 3,636 square feet) and does not require VITA to pay a share of the operating costs. VITA also entered into a one-year lease for the St. Landry Parish office commencing on May 1, 2001 which expired on May 1, 2002 with Louisiana Memorial United Methodist Church. No formal written renewal was drafted at that time. The lease calls for a monthly payment of \$830.00 (VITA occupies 2,800 square feet). Both leases contain options to renew. Both leases are at rates significantly less than fair market value. The donated portion is recorded in the line item "donated services and facilities" in the Statement of Activities. The rent expense line item reflects total rent as if the fair market value had been paid. The net of the two numbers is the amount actually paid. See footnote C for further explanation of the proper accounting of donated services and facilities.

Scheduled payments under current lease obligations:

	<u>Lafayette</u>	<u>St. Landry</u>
2005	21,816	--
2006	22,270	--
2007	5,909	--
2008	--	--
2009	--	--
	<u>\$49,995</u>	<u>\$ --</u>

Note G – Grants Receivable on 2003-2004 grant periods that extend past June 30, 2004

TANF	\$ 39,773
La. Dept. of Education (BASIC)	28,430
La. Dept. of Education (ESL)	8,762
United Way – Lafayette & St. Landry	34,800
Lafayette Consolidated Government	<u>3,421</u>
Total	<u>\$ 105,186</u>

Concluded