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POSITIVE FORCES COUNSELING NETWORK, INC.

MONROE, LOUISIANA

FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
FOR THE 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 12-8-04

POSITIVE FORCES COUNSELING NETWORK, INC.
JUNE 30, 2004

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- Accounting & Auditing
 - H.U.D. Audits
 - Non-Profit Organizations
- Business & Financial Planning
- Tax Preparation & Planning
 - Individual & Partnership
 - Corporate & Fiduciary
- Bookkeeping & Payroll Services

October 5, 2004

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Positive Forces Counseling Network, Inc.
Monroe, Louisiana 71201

We have audited the accompanying statement of financial position of the Positive Forces Counseling Network, Inc. (a nonprofit organization) as of June 30, 2004, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Positive Forces Counseling Network, 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Positive Forces Counseling Network, Inc. taken as a whole. The accompanying financial information listed as supplementary financial information in the table of contents for the year ended June 30, 2004, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the

financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 5, 2004 on our consideration of Positive Forces Counseling Network, Inc.'s internal control structure and its compliance with laws, regulations, 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.

Johnston, Perry, Johnson & Associates, L.L.P.

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

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October 5, 2004

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
Positive Forces Counseling Network, Inc.
Monroe, Louisiana

We have audited the financial statements of Positive Forces Counseling Network, Inc. as of and for the year ended June 30, 2004, and have issued our report thereon dated October 5, 2004. We conducted our audit in accordance with accounting standards generally accepted in the United States of America 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 Positive Forces Counseling Network, Inc.'s financial statements are free of material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Positive Forces Counseling Network, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable

conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Positive Forces Counseling Network, 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 04-01, 04-02 and 04-03.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in 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, we believe that 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, others within the organization, as well as the state of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana R.S. 24:513, this report is distributed by the Legislative Auditor as a public document.

Johnston, Perry, Johnson & Associates, L.L.P.

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

POSITIVE FORCES COUNSELING NETWORK, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004

ASSETS

Current Assets

Cash	9,150	
Receivables	<u>64,785</u>	

<u>TOTAL CURRENT ASSETS</u>		73,935
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Fixed Assets

Equipment	196,449	
Accumulated Depreciation	<u>(119,919)</u>	

<u>TOTAL FIXED ASSETS</u>		<u>76,530</u>
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<u>TOTAL ASSETS</u>		<u>150,465</u>
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LIABILITIES

Current Liabilities

Accounts Payable and Accrued Expenses	<u>9,944</u>	
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<u>TOTAL CURRENT LIABILITIES</u>		9,944
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LONG-TERM DEBT

-0-

<u>TOTAL LIABILITIES</u>		9,944
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NET ASSETS

Unrestricted	<u>140,521</u>	
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<u>TOTAL NET ASSETS</u>		<u>140,521</u>
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<u>TOTAL LIABILITIES AND NET ASSETS</u>		<u>150,465</u>
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The accompanying notes are an integral part of these financial statements.

POSITIVE FORCES COUNSELING NETWORK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

UNRESTRICTED NET ASSETS

Support
Grants and Contracts 430,936

TOTAL SUPPORT 430,936

EXPENSES

Program Services - Mental Health 367,303
Supporting Services 35,552

TOTAL EXPENSES 402,855

INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS 28,081

NET ASSETS AT BEGINNING OF YEAR 112,440

NET ASSETS AT END OF YEAR 140,521

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

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JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

POSITIVE FORCES COUNSELING NETWORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2004

	<u>MENTAL HEALTH COUNSELING SERVICES</u>	<u>GENERAL AND ADMINISTRATIVE</u>	<u>TOTAL</u>
Personal Services	226,964	9,542	236,506
Related Benefits	29,787	1,926	31,713
Travel	1,750	-	1,750
Operating Services	77,812	13,773	91,585
Supplies	12,084	2,366	14,450
Professional Services	<u>1,145</u>	<u>5,750</u>	<u>6,895</u>
Total Expenditures			
Before Depreciation	349,542	33,357	382,899
Depreciation	<u>17,761</u>	<u>2,195</u>	<u>19,956</u>
<u>TOTAL EXPENSES</u>	<u>367,303</u>	<u>35,552</u>	<u>402,855</u>

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

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JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

POSITIVE FORCES COUNSELING NETWORK, INC.
STATEMENT OF CASH FLOWS
JUNE 30, 2004

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Increase (Decrease) in Net Assets	28,081
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) by Operating Activities	
Depreciation	19,956
(Increase) Decrease in:	
Operating Assets - Receivables	(3,512)
Increase (Decrease) in:	
Operating Liabilities - Payables	(<u>321</u>)
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	44,204
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
None	—
<u>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</u>	-0-
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	
Fixed Assets Purchased	(22,437)
Loans Paid	(15,075)
<u>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</u>	(37,512)
<u>NET INCREASE (DECREASE) IN CASH</u>	6,692
<u>BEGINNING CASH AND CASH EQUIVALENTS</u>	<u>2,458</u>
<u>ENDING CASH AND CASH EQUIVALENTS</u>	<u>9,150</u>
<u>SUPPLEMENTAL CASH BASIS DATA</u>	
Interest Paid	957
Income Taxes Paid	-0-

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

POSITIVE FORCES COUNSELING NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Statement of Presentation:

The accompanying financial statements conform to accounting principles generally accepted in the United States of America for not-for-profit organizations.

B. Organization:

The Organization provides counseling services to families and individuals who need assistance with mental, emotional, behavioral relationships or spiritual problems in Northeast Louisiana.

C. Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Cash and Cash Equivalents:

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

E. Budget Policy:

Budgets for various programs are prepared by the Organization and approved by grantor of the funds for each respective program. No budgets are prepared for the general fund.

F. Contributions:

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily

POSITIVE FORCES COUNSELING NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Contributions (Continued)

restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

G. Cash in Bank:

All funds are in institutions insured by an agency of the Federal Government, the Federal Deposit Insurance Corporation.

H. Fixed Assets:

Fixed assets are depreciated over their estimated useful lives using the straight line method. Fixed assets are capitalized for individual cost over \$1,000. Donated assets are valued at market value at date of contributions.

NOTE 2 - FUNDING POLICIES AND SOURCES OF FUNDS

The Organization receives its monies through various methods of funding. Most of the funds are received from Louisiana Department of Health and Hospitals and Vocational Rehabilitation. The Organization also receives funds as a reimbursement of actual expenditures, and upon a per unit of service provided method. The Organization also receives funds by contributions from both public and private sources. If the Organization loses these funds, it will have an adverse effect on the corporation.

NOTE 3 - ACCOUNTS RECEIVABLE - GRANTS

Accounts Receivable - Grants at June 30, 2004 generally consists of reimbursements from the Department of Health and Hospitals for expenditures incurred under the grant program. The reserve for bad debts is zero. Amounts are usually collected within 30 days of billing.

NOTE 4 - BOARD OF DIRECTORS' COMPENSATION

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

POSITIVE FORCES COUNSELING NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004

NOTE 5 - IN-KIND CONTRIBUTIONS

The Organization received various in-kind contributions during the year from private and public sources. The value of donated volunteer services is not reflected in the accompanying financial statements since there is no objective basis available by which to measure the value of such services.

NOTE 6 - INCOME TAX STATUS

The Organization applied as a nonprofit corporation and is exempt from federal income taxes under Section 501(C)(3) of the Internal Revenue Code.

NOTE 7 - CHANGES IN FIXED ASSETS

A summary of changes in fixed assets recorded at cost follows:

	Balance <u>June 30, 2003</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2004</u>
Furniture & Equipment	50,590	4,815	-0-	55,405
Transportation Equipment	<u>123,422</u>	<u>17,622</u>	-0-	<u>141,044</u>
TOTALS	<u>174,012</u>	<u>22,437</u>	<u>-0-</u>	<u>196,449</u>

The state of Louisiana maintains a revisionary right against fixed assets in the event the Organization wishes to dispose of assets or ceases operations.

NOTE 8 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

NOTE 9 - FAIR VALUES OF FINANCIAL INSTRUMENTS

The Organization's financial instruments, none of which are held for trading purposes, include cash and a note payable. The Organization estimates that the fair value of all financial instruments at June 30, 2004 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

POSITIVE FORCES COUNSELING NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2004

NOTE 10 - LEASE

The Organization leases office space for \$1,000 per month. The lease runs from March 1, 2003 to March 1, 2005. Lease payments are as follows:

<u>Year Ended</u>	<u>Amount</u>
6/30/2005	9,000

Lease payments made during the current year total \$12,000.

NOTE 11 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The Organization has determined that fund raising costs are not material.

NOTE 12 - RETIREMENT PLAN

All employees are covered under the social security program. No other retirement plan is maintained.

NOTE 13 - COMPENSATED ABSENCES

The Organization's policy is to expense compensated absences in the period such leave is used. Amounts of accrued compensation at June 30, 2004 are not material.

NOTE 14 - ADVERTISING

The Organization expenses advertising expense as incurred. Advertising costs during this year are not material.

ADDITIONAL INFORMATION

POSITIVE FORCES COUNSELING NETWORK, INC.
STATEMENT OF EXPENDITURES - BY CONTRACTS
JUNE 30, 2004

	<u>CONTRACT</u> <u>580502</u>	<u>CONTRACT</u> <u>580500</u>	<u>CONTRACT</u> <u>580399</u>	<u>CONTRACT</u> <u>594384</u>
Personal Services	55,956	43,529	35,101	92,378
Related Benefits	6,716	5,470	3,764	13,836
Travel	366	200	286	898
Operating Services	15,933	12,212	25,755	23,913
Supplies	2,502	2,450	4,455	2,657
Professional Services	1,450	950	1,670	2,825
Capital Assets	-	-	1,529	20,908
Administration	<u>9,590</u>	<u>7,265</u>	<u>8,572</u>	<u>27,780</u>
 <u>TOTAL EXPENDITURES</u>	 <u>92,533</u>	 <u>72,076</u>	 <u>81,132</u>	 <u>185,195</u>

See Auditors' Report.

POSITIVE FORCES COUNSELING NETWORK, INC.
COMPENSATION TO BOARD MEMBERS
JUNE 30, 2004

No compensation was to paid any board member during the year under audit.

See Auditors' Report.

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POSITIVE FORCES COUNSELING NETWORK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

INTERNAL CONTROL
FINDING 04-01

Criteria: Agency vehicles should have mileage log books detailing gasoline purchases and all expenditures incurred by drivers of agency vehicles.

Condition: We noted that log books did not contain details of all drivers' purchases and vehicle mileage between gasoline purchases.

Questioned Costs: None

Context: Not applicable

Effect: The finding has no effect on the financial statements.

Cause: The agency has not required drivers to keep details of purchases in mileage log books.

Recommendation: We recommend that all vehicles have mileage log books that detail mileage driven and expenditures related to each vehicle.

Reply: Management agrees to implement this recommendation.

INTERNAL CONTROL
FINDING 04-02

Criteria: The agency should have adequate insurance on agency assets.

Condition: We noted the agency may need additional insurance coverage, including a fidelity bond.

Questioned Costs: None

Context: Not applicable

Effect: This finding has no effect on the financial statements.

Cause: The agency has not considered the need for additional insurance.

See Auditors' Report.

POSITIVE FORCES COUNSELING NETWORK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2004

INTERNAL CONTROL
FINDING 04-02 (Continued)

Recommendation: We recommend the agency meet with its insurance broker to ensure its coverage is adequate, including a minimum of \$50,000 fidelity bond coverage.

Reply: Management will discuss this recommendation with the Board of Directors.

INTERNAL CONTROL
FINDING 04-03

Criteria: Employee timesheets should be signed and turned in by the employee and approved by the employee's supervisor before payroll is paid for each pay period.

Conditions: There were instances where timesheets were not turned in and approved by a supervisor before the payroll checks were paid.

Questioned Costs: None

Context: Not applicable

Effect: This finding has no effect on the financial statements.

Cause: Supervisors did not review timesheets before each pay period.

Recommendation: We recommend that the agency require all timesheets to be turned in and approved by a supervisor before payroll is paid. Each supervisor should have a backup to approve timesheets when the supervisor is not available.

COMPLIANCE FINDINGS

None

See Auditors' Report.

POSITIVE FORCES COUNSELING NETWORK, INC.
FINDINGS, RECOMMENDATIONS, AND CORRECTIVE ACTIONS - PRIOR YEAR
JUNE 30, 2004

INTERNAL CONTROLS

No findings nor recommendations in prior year.

COMPLIANCE

No findings nor recommendations in prior year.

See Auditors' Report.

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