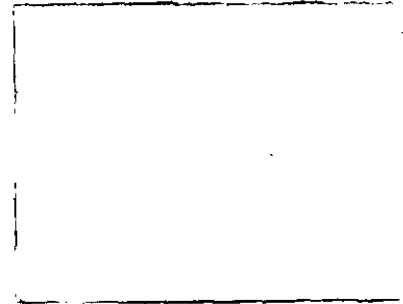


Options for Independence, Inc.
Financial Statements
and Independent Auditor's Report
June 30, 2004



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 1-26-05

Options for Independence, Inc.

**Financial Statements and Independent Auditor's Report
As of and for the Year Ended June 30, 2004
With Supplemental Information Schedule**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Options for Independence, Inc.
Houma, Louisiana

We have audited the accompanying statement of financial position of Options for Independence, 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 the standards applicable to financial audits contained in *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 the 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 Options for Independence, 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*, we have also issued our report dated December 3, 2004 on our consideration of Options for Independence, Inc.'s internal control over financial reporting and our 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 our audit.

Board of Directors
Options for Independence, Inc.
Houma, Louisiana

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Options for Independence, Inc. taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "Martin A. Self".

December 3, 2004

FINANCIAL STATEMENTS

Options for Independence, Inc.

**Statement of Financial Position
June 30, 2004**

ASSETS

Current assets:

Cash and cash equivalents	\$	456
Program service fees receivable		151,408
Prepaid expenses		10,000
Total current assets		<u>161,864</u>

Property and equipment, less accumulated depreciation of \$66,699		38,106
--	--	--------

Deposits		<u>1,335</u>
----------	--	--------------

TOTAL ASSETS	\$	<u>201,305</u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Bank overdraft	\$	7,648
Line of credit		119,730
Accounts payable		308
Accrued expenses		21,372
Capital lease payable, current portion		2,225
Note payable, current portion		3,228
Total current liabilities		<u>154,511</u>

Long-term liabilities:

Capital lease payable, net of current maturities		7,836
Note payable, net of current maturities		11,383
Total long-term liabilities		<u>19,219</u>

Total liabilities		173,730
-------------------	--	---------

Net assets:

Unrestricted		<u>27,575</u>
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TOTAL LIABILITIES AND NET ASSETS	\$	<u>201,305</u>
---	-----------	-----------------------

See accompanying notes to financial statements.

Options for Independence, Inc.

**Statement of Activities
For the Year Ended June 30, 2004**

	<u>Unrestricted</u>
REVENUES AND OTHER SUPPORT	
Program service fees	\$ 1,148,152
Miscellaneous income	14,466
Contributions	<u>11,059</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>1,173,677</u>
EXPENSES	
Program services	
Special projects	397,922
Adult services	387,000
Children's services	192,247
Employment services	<u>134,721</u>
Total program services	1,111,890
Management and general	<u>76,350</u>
TOTAL EXPENSES	<u>1,188,240</u>
DECREASE IN NET ASSETS FROM OPERATIONS	(14,563)
OTHER CHANGES	
Loss on disposal of fixed assets	<u>(23,805)</u>
DECREASE IN NET ASSETS	(38,368)
NET ASSETS, BEGINNING OF PERIOD	<u>65,943</u>
NET ASSETS, END OF PERIOD	<u>\$ 27,575</u>

See accompanying notes to financial statements.

Options for Independence, Inc.

**Statement of Functional Expenses
For the Year Ended June 30, 2004**

	PROGRAM SERVICES					Total
	Special Projects	Adult Services	Children's Services	Employment Services	Management and General	
Salaries	\$ 121,456	\$ 250,646	\$ 126,354	\$ 103,582	\$ 43,215	\$ 645,253
Direct aid	217,880	17,873	53	-	59	235,865
Insurance	14,310	30,874	18,970	8,416	2,434	75,004
Payroll taxes	9,483	19,935	9,933	8,665	3,791	51,807
Travel	11,960	23,549	14,168	2,089	7	51,773
Rent	8,381	6,707	4,094	4,280	410	23,872
Consultant fees	197	17,676	692	192	30	18,787
Professional fees	3,770	8,014	4,419	2,363	208	18,774
Depreciation	-	-	-	-	18,476	18,476
Supplies	5,795	3,418	3,417	1,544	152	14,326
Interest	-	-	-	-	5,776	5,776
Telephone	1,266	1,968	1,015	1,875	(546)	5,578
Training and education	1,497	1,516	775	879	231	4,898
Automobile	-	-	3,857	-	-	3,857
Miscellaneous	1,292	2,060	-	-	124	3,476
Leases	280	574	2,560	173	(230)	3,357
Pager	168	1,078	893	558	245	2,942
Flow through donations	-	554	-	-	1,000	1,554
Postage	187	499	151	105	174	1,116
Consumer activity	-	59	896	-	-	955
Bank charges	-	-	-	-	713	713
Repairs and maintenance	-	-	-	-	81	81
Total	\$ 397,922	\$ 387,000	\$ 192,247	\$ 134,721	\$ 76,350	\$ 1,188,240

See accompanying notes to financial statements.

Options for Independence, Inc.

**Statement of Cash Flows
For the Year Ended June 30, 2004**

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$ (38,368)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Loss on disposal of equipment	23,805
Depreciation	18,476
(Increase)/decrease in operating assets:	
Program service fees receivable	93,887
Prepaid expenses	(7,756)
Increase/(decrease) in operating liabilities:	
Bank overdraft	(32,716)
Accounts payable	(25,574)
Accrued expenses	5,467
	<u>37,221</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>37,221</u>
CASH FLOWS USED IN INVESTING ACTIVITIES	
Purchases of equipment	<u>(5,656)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Advances on line of credit	614,500
Repayments on line of credit borrowings	(644,030)
Principal payments on capital lease obligation	<u>(2,035)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(31,565)</u>
NET CHANGE IN CASH	-
CASH BALANCE - BEGINNING	<u>456</u>
CASH BALANCE - ENDING	<u>\$ 456</u>
SUPPLEMENTAL INFORMATION:	
Cash paid during the year for interest	<u>\$ 5,776</u>

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

The Organization purchased a vehicle and equipment by assuming debt of \$15,570.

See accompanying notes to financial statements.

Options for Independence, Inc.

Notes to Financial Statements
As of and for the Year Ended June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Nature of the Organization – Options for Independence, Inc., a not-for-profit, voluntary health and welfare agency, focuses on providing service coordination (case management) for children and adults with disabilities, as well as employment assessment, placement, and training. The services are provided by qualified case managers who work directly with the individual and his/her family. Major programs offered by the Organization include:

Children's Services – The Organization offers services to children with serious emotional disturbance and their families under a pilot program developed for the Louisiana Department of Health and Hospitals, Office of Mental Health.

Adult Services – Outreach and case management services are provided to adults with serious mental illness and adults and their families who are homeless or at risk of becoming homeless.

Special Projects – The Organization provides specialized social services including a pilot program designed for the Louisiana Department of Health and Hospitals, Office for Citizens with Developmental Disabilities and Office of Mental Health to provide personalized case management services for families receiving specialized funding supports.

Employment Services – The Organization provides specialized social services including:

Louisiana Rehabilitation Services – A pilot program designed to develop competitive employment outcomes to eligible clients with serious psychiatric disabilities through an Employment Recovery Team.

Micro-Enterprise Small Business Development – A pilot program designed for the Louisiana Department of Health and Hospitals, Office of Mental Health to assist mental health consumers in starting their own businesses.

The following are the significant accounting policies of Options for Independence, Inc.:

- B. Basis of Presentation – The financial statements are prepared on the accrual basis in accordance with U. S. generally accepted accounting principles.
- C. 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.

Options for Independence, Inc.

Notes to Financial Statements
As of and for the Year Ended June 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

D. Net Assets – Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Options for Independence, Inc. and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Options for Independence, Inc. and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by Options for Independence, Inc. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

E. Bad Debts – The financial statements of Options for Independence, Inc. contain no allowance for uncollectible receivables as management considers all such receivables to be fully collectible. Uncollectible accounts are recognized as an expense at the time information becomes available that indicates the amounts are uncollectible.

F. Property and Equipment – Property and equipment is stated at cost. Depreciation is computed utilizing the declining balance method over the estimated useful lives of the assets.

G. Functional Allocation of Expenses – The costs of providing the various programs and other 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 benefited.

H. Cash and Cash Equivalents – For the purpose of the statement of cash flows, Options for Independence, Inc. considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

I. Income Taxes – Options for Independence, Inc. is a not-for-profit, voluntary health and welfare agency exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code and qualifies for the 50% charitable contributions deduction for individual donors.

Options for Independence, Inc.

Notes to Financial Statements
As of and for the Year Ended June 30, 2004

NOTE 2 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of program service fees due from various departments of the State of Louisiana. Because these receivables are passed through support from the federal or state government, the Organization requires no collateral for these amounts.

Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

Options for Independence, Inc. maintains its cash in one financial institution located in Louisiana as of June 30, 2004. The Federal Deposit Insurance Corporation (FDIC) insures the balances up to \$100,000 each for interest-bearing and non-interest-bearing deposits at each institution. Deposits exceeded FDIC coverage at various times during the year.

NOTE 3 – FAIR VALUES OF FINANCIAL INSTRUMENTS

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

NOTE 4 – PROPERTY AND EQUIPMENT

A summary of changes in property and equipment, consisting primarily of furniture, fixtures, and office equipment, follows:

	Balance July 1, 2003	Additions	Retirements	Balance June 30, 2004
Property and equipment	\$ 129,991	\$ 21,226	\$ (46,412)	\$ 104,805
Accumulated depreciation	(70,830)	(18,476)	22,607	(66,699)
	<u>\$ 59,161</u>	<u>\$ 2,750</u>	<u>\$ (23,805)</u>	<u>\$ 38,106</u>

NOTE 5 – RELATED PARTIES

Children's Coalition for the Bayou Region, Inc. – The executive director of Options for Independence, Inc. is also an officer on the Board of Directors of Children's Coalition for the Bayou Region, Inc. Children's Coalition for the Bayou Region, Inc. is a not-for-profit voluntary health and welfare agency. The Organization does not engage in transactions with the related party.

Options for Independence, Inc.

Notes to Financial Statements
As of and for the Year Ended June 30, 2004

NOTE 5 – RELATED PARTIES (Cont.)

Options for Youth, Inc. – The Organization subleases space from which it operates its Consult Assertive Community Treatment program services from Options for Youth, Inc. This lease agreement is written on a year-to-year basis and includes payments of \$450 per month. The total expense under this agreement for the year ended June 30, 2004 is \$5,400.

Big Brothers/Big Sisters – In prior years, the Organization operated an affiliate program of the National Big Brother's Agency. During the year ended June 30, 2003, the affiliate program operated independently from Options for Independence, Inc. During the year ending June 30, 2005, the affiliate program rejoined with Options for Independence, Inc. The accrued expense mentioned in Note 7 had not been paid as of June 30, 2004 due to the anticipated affiliation.

NOTE 6 – PROGRAM SERVICE FEES RECEIVABLE

As of June 30, 2004, program service fees receivable consist of the following:

State of Louisiana/	
Department of Health and Hospitals/	
Office of Mental Health/	
Terrebonne-Lafourche Resettlement Services Grant	\$ 18,703
East Louisiana Hospital Grant	17,096
Children's Assertive Community Treatment Grant	16,550
Children's Assertive Community Treatment	16,360
Early Childhood Supports and Services Grant	13,495
Adult Rehabilitation Grant	9,712
Consumer Care Resources Grant	6,674
Micro Enterprise Grant	4,028
Office of Public Health/	
Child Health Injury Prevention Grant	12,680
Office for Citizens with Developmental Disabilities/	
Fiscal Intermediary Services Grant	1,489
Department of Education/	
Louisiana Rehabilitation Services	10,938
Louisiana State Improvement Grant	5,613
Gulf Coast Family Teaching Services, Inc.	7,070
Other receivables	11,000
	<u>\$ 151,408</u>

Options for Independence, Inc.

Notes to Financial Statements
As of and for the Year Ended June 30, 2004

NOTE 7 – ACCRUED EXPENSES

Accrued expenses as of June 30, 2004 consist of the following:

Payroll taxes	\$ 14,719
Deferred revenue	5,538
Due to Big Brothers/Big Sisters	<u>1,115</u>
Total accrued expenses	<u>\$ 21,372</u>

NOTE 8 – OPERATING LEASE

The Organization leases the space from which it operates its administrative functions from an unrelated third party. The agreement is unwritten, on a month-to-month basis, and requires payments of \$1,200 per month. The total expense under this agreement for the year ended June 30, 2004 is \$14,400.

NOTE 9 – LINE OF CREDIT

The Organization has a revolving line of credit agreement with a local bank to aid in cash flow management. The agreement includes a borrowing limit of \$150,000, an interest rate of 4.00% on outstanding balances, and is secured by certain receivables. As of June 30, 2004, the Organization had an outstanding balance of \$119,730 on this line of credit. Interest paid under this agreement for the year ended June 30, 2004 totaled \$4,745.

NOTE 10 – CAPITAL LEASE

The Organization is engaged in a capital lease for office equipment recorded at a cost of \$12,244 and accumulated depreciation of \$3,690. The economic substance of the lease is that the Organization is acquiring the equipment through the lease, and the appropriate assets and liabilities have been recorded. The lease matures on June 3, 2008. The principal balance due as of June 30, 2004 is \$10,061. The minimum future principal payments under this lease are as follows:

<u>Year Ending June 30,</u>	<u>Minimum Principal Payments</u>
2005	\$ 2,225
2006	2,446
2007	2,690
2008	<u>2,700</u>
Total	<u>\$ 10,061</u>

Options for Independence, Inc.

Notes to Financial Statements
As of and for the Year Ended June 30, 2004

NOTE 11 – NOTE PAYABLE

The Organization is engaged in a note payable for a vehicle recorded at a cost of \$14,611 and accumulated depreciation of \$0. The economic substance of the note is that the Organization is acquiring the vehicle through the note, and the appropriate assets and liabilities have been recorded. The note has an interest rate of 7.99% and matures on June 28, 2008. The principal balance due as of June 30, 2004 is \$14,611. The minimum future principal payments under this lease are as follows:

<u>Year Ending June 30,</u>	<u>Minimum Principal Payments</u>
2005	\$ 3,228
2006	3,496
2007	3,786
2008	<u>4,101</u>
Total	<u>\$ 14,611</u>

NOTE 12 – PROGRAM SERVICE FEES

During the year ended June 30, 2004, the Organization recognized program service fees in the form of reimbursements for actual expenses and on a unit of service basis from the following sources:

State of Louisiana/

Department of Health and Hospitals/

Office of Mental Health/

Children's Assertive Community Treatment Grants	\$ 331,833
Adult Rehabilitation Grant	158,587
Terrebonne-Lafourche Resettlement Services Grant	113,059
Early Childhood Supports and Services Grant	74,913
East Louisiana State Hospital Grant	65,632
Consumer Care Resources Grant	65,422
Micro Enterprise Grant	31,416

Office of Public Health/

Child Health Injury Prevention Grant	48,593
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Office for Citizens with Developmental Disabilities/

Fiscal Intermediary Services Grant	20,446
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Options for Independence, Inc.

Notes to Financial Statements
As of and for the Year Ended June 30, 2004

NOTE 12 – PROGRAM SERVICE FEES (Cont.)

State of Louisiana/ Department of Education/ Louisiana Rehabilitation Services	\$ 60,970
Louisiana State Improvement Grant	31,924
Gulf Coast Teaching Family Services, Inc.	109,146
LAT Workforce Investment Board, Inc.	35,260
United Houma Nation Vocational Rehabilitation Services	<u>951</u>
	<u>\$ 1,148,152</u>

NOTE 13 – MISCELLANEOUS INCOME

Miscellaneous income as of June 30, 2004 consists of the following:

Cameron LeBouef fund	\$ 8,056
Personal agent income	6,000
Interest income	<u>410</u>
Total miscellaneous income	<u>\$ 14,466</u>

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

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Pellegrin**

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

To the Board of Directors
Options for Independence, Inc.
Houma, Louisiana

We have audited the financial statements of Options for Independence, Inc. (a nonprofit organization) as of and for the year ended June 30, 2004 and have issued our report thereon dated December 3, 2004. We conducted our 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 Options for Independence, 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 noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Options for Independence, 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. 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

Board of Directors
Options for Independence, Inc.
Houma, Louisiana

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 solely for the information and use of the Board of Directors, management, the Louisiana Legislative Auditor, federal awarding agencies, pass-through entities, and other grantor organizations, and is not intended to be and should not be used by anyone other than these specified parties.

Martin and Pelfi

December 3, 2004

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and
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Options for Independence, Inc.
Houma, Louisiana

Compliance

We have audited the compliance of Options for Independence, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2004. Options for Independence, Inc.'s major federal award programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Options for Independence, Inc.'s management. Our responsibility is to express an opinion on Options for Independence, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal programs occurred. An audit includes examining, on a test basis, evidence about Options for Independence, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Options for Independence, Inc.'s compliance with those requirements.

In our opinion, Options for Independence, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2004.

Board of Directors
Options for Independence, Inc.
Houma, Louisiana

Internal Control Over Compliance

The management of Options for Independence, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Options for Independence, Inc.'s internal control over compliance with requirements that could have a direct and material effect on its major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the major federal programs 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 compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, the Louisiana Legislative Auditor, federal awarding agencies, pass-through entities, and other grantor organizations, and is not intended to be and should not be used by anyone other than these specified parties.

Martin and Kelly

December 3, 2004

Options for Independence, Inc.

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004**

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Federal Expenditures</u>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES/</u>			
<u>Pass-through payments from the Louisiana</u>			
<u>Department of Health and Hospitals/</u>			
Community Mental Health Services Block Grant	93.958	596622	\$ 101,166
		596638	31,416
		598438	59,534
		603924	108,582
			<u>300,698</u> **
Temporary Assistance for Needy Families Formula Grant	93.558	590365	21,323
		603667	53,590
			<u>74,913</u> **
Projects for Assistance in Transition from Homelessness Grant	93.150	581447	32,787
		598438	5,888
			<u>38,675</u>
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	N/A	<u>112,660</u>
Maternal and Child Health Services Block Grant to the States	93.994	577387	<u>16,668</u>
<u>DEPARTMENT OF EDUCATION/</u>			
<u>Pass-through payments from the Louisiana</u>			
<u>Department of Education/</u>			
Rehabilitation Services/Vocational Rehabilitation Grants to States	84.126	N/A	<u>4,798</u>
Special Education/State Program Improvement Grants for Children with Disabilities	84.323	592900	<u>31,924</u>
<u>DEPARTMENT OF HOUSING & URBAN DEVELOPMENT/</u>			
<u>Pass-through payments from the Louisiana</u>			
<u>Department of Housing & Urban Development/</u>			
Supportive Housing for Persons with Disabilities	14.181		<u>109,146</u>
			<u>\$ 689,482</u>

** Denotes a major program

See accompanying notes to schedule of expenditures of federal awards.

Options for Independence, Inc.

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

**NOTE 1 – SCOPE OF AUDIT PURSUANT TO THE GOVERNMENTAL AUDITING
STANDARDS ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED
STATES AND OMB CIRCULAR A-133**

All federal grant awards of Options for Independence, Inc. are included in the scope of the Government Auditing Standards issued by the Comptroller General of the United States and OMB Circular A-133.

NOTE 2 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Options for Independence, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Options for Independence, Inc.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2004**

Section I – Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Options for Independence, Inc.
2. *No reportable conditions were noted during the audit of the financial statements.*
3. No instances of noncompliance material to the financial statements of Options for Independence, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. *No reportable conditions were noted during the audit of internal control over major federal award programs.*
5. The auditor's report on compliance for the major federal award programs for Options for Independence, Inc. expresses an unqualified opinion on the major federal programs.
6. No audit findings relative to the major federal award programs were noted.
7. The programs tested as major programs were the U.S. Department of Health and Human Services Community Mental Health Services Block Grant, CFDA #93.958, and the U.S. Department of Health and Human Services Temporary Assistance for Needy Families Formula Grant, CFDA #93.558.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. *Options for Independence, Inc. did not qualify as a low-risk auditee.*

Section II – Findings – Financial Statement Audit

None Reported.

Section III – Findings and Questioned Costs – Major Federal Award Program Audit

None Reported.

Options for Independence, Inc.

**Schedule of Prior Findings and Resolution Matters
Year Ended June 30, 2004**

Note: All prior findings relate to the June 30, 2003 audit engagement.

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

This section is not applicable.

Section II – Internal Control and Compliance Material to Federal Awards

This section is not applicable.

Section III – Management Letter

This section is not applicable.