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**Alliance For Education, Inc.
Shreveport, Louisiana**

Financial Statements With Auditors' Report

As of and for the Years Ended June 30, 2004 and 2003

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 2/2/05

Alliance For Education, Inc.
Shreveport, Louisiana

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COOK & MOREHART

Certified Public Accountants

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71137-8240

TRAVIS H. MOREHART, CPA
A. EDWARD BALL, CPA
VICKIE D. NOBLE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

RAYEBURN G. COOK (RET.)

C. BRYAN COYLE, CPA

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors
Alliance For Education, Inc.
Shreveport, Louisiana

We have audited the accompanying statements of financial position of Alliance For Education, Inc., as of June 30, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Alliance For Education, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Alliance For Education, Inc., as of June 30, 2004 and 2003, and the changes in its net assets and its cash flows for the years 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 a report dated November 20, 2004 on our consideration of Alliance For Education, 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.



Cook & Morehart
Certified Public Accountants
November 20, 2004

Alliance For Education, Inc.
 Shreveport, Louisiana
 Statements of Financial Position
 June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Current assets:		
Cash	\$ 168,052	\$ 212,387
Furniture and equipment:		
Office furniture and equipment	14,705	14,705
Accumulated depreciation	(10,258)	(8,372)
Net furniture and equipment	<u>4,447</u>	<u>6,333</u>
Total Assets	<u>\$ 172,499</u>	<u>\$ 218,720</u>
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 573	\$ 664
Net assets:		
Unrestricted:		
Operating	151,874	185,261
Fixed assets	4,447	6,333
Temporarily restricted	15,605	26,462
Total net assets	<u>171,926</u>	<u>218,056</u>
Total Liabilities and Net Assets	<u>\$ 172,499</u>	<u>\$ 218,720</u>

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

Alliance For Education, Inc.
 Shreveport, Louisiana
 Statement of Activities
 For the Year Ended June 30, 2004

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support:			
Grants	\$ 114,886	\$	\$ 114,886
Contributions	451,267	12,000	463,267
Miscellaneous	898		898
Interest income	547		547
Net assets released from restrictions:			
Satisfaction of restrictions	22,857	(22,857)	
Total revenues and other support	590,455	(10,857)	579,598
Expenses:			
Program services:			
Teacher mini grants	136,177		136,177
After school academy	152,199		152,199
Leadership institute	59,940		59,940
Path to excellence	98,934		98,934
Character counts	500		500
High schools that work initiative	20,939		20,939
Newspaper and education	2,000		2,000
Total program services	470,689		470,689
Supporting services:			
Development - fund raising	81,723		81,723
General operations	73,316		73,316
Total supporting services	155,039		155,039
Total expenses	625,728		625,728
Change in net assets	(35,273)	(10,857)	(46,130)
Net assets as of beginning of year	191,594	26,462	218,056
Net assets as of end of year	\$ 156,321	\$ 15,605	\$ 171,926

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

Alliance For Education, Inc.
 Shreveport, Louisiana
 Statement of Activities
 For the Year Ended June 30, 2003

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support:			
Grants	\$ 173,667	\$	\$ 173,667
Contributions	465,617	31,844	497,461
Miscellaneous	1,205		1,205
Interest income	1,543		1,543
Net assets released from restrictions:			
Satisfaction of restrictions	41,228	(41,228)	
Total revenues and other support	683,260	(9,384)	673,876
Expenses:			
Program services:			
Teacher mini grants	161,473		161,473
Identify future programs	3,263		3,263
After school academy	199,918		199,918
Leadership institute	53,977		53,977
Good neighbor project	22,362		22,362
Path to excellence	112,176		112,176
Character counts	21,525		21,525
High schools that work initiative	1,082		1,082
Kids closet	279		279
Newspaper and education	2,000		2,000
Weather watch	11,201		11,201
Total program services	589,256		589,256
Supporting services:			
Development - fund raising	93,790		93,790
General operations	62,729		62,729
Total supporting services	156,519		156,519
Total expenses	745,775		745,775
Loss on disposition of fixed assets	3,080		3,080
Total expenses and losses	748,855		748,855
Change in net assets	(65,595)	(9,384)	(74,979)
Net assets as of beginning of year	257,189	35,846	293,035
<i>Net assets as of end of year</i>	<i>\$ 191,594</i>	<i>\$ 26,462</i>	<i>\$ 218,056</i>

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

Alliance For Education, Inc.
 Shreveport, Louisiana
 Statements of Cash Flows
 For the Years Ended June 30, 2004 and 2003

	2004	2003
Operating Activities		
Change in net assets	\$ (46,130)	\$ (74,979)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,886	2,480
Loss on disposition of fixed assets		3,080
Increase (decrease) in operating liabilities:		
Accounts payable	(91)	(1,807)
Net cash (used in) operating activities	(44,335)	(71,226)
 Investing Activities		
Payments for property and equipment		(2,777)
Net cash (used in) investing activities		(2,777)
Net (decrease) in cash and cash equivalents	(44,335)	(74,003)
Cash as of beginning of year	212,387	286,390
Cash as of end of year	\$ 168,052	\$ 212,387

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

Alliance For Education, Inc.
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2004 and 2003

(1) Summary of Significant Accounting Policies

A. Nature of Activities

Alliance For Education, Inc., (Alliance), is a private nonprofit organization incorporated under the laws of the State of Louisiana. The mission and purpose of Alliance is to improve the quality of education in Louisiana public schools by marshalling independent, private donations and resources of the community, and by facilitating the coordination of private and public resources.

B. Basis of Accounting

The financial statements of Alliance have been prepared on the accrual basis of accounting.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the organization is required to report 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.

D. Income Tax Status

Alliance is a non-profit corporation and is exempt from state and federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Alliance's tax-exempt purpose is subject to taxation as unrelated business income. Alliance had no such income for these audit periods.

E. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, Alliance considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(Continued)

Alliance For Education, Inc.
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2004 and 2003
(Continued)

G. Office Furniture and Equipment

Office furniture and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Depreciation expense for the years ended June 30, 2004 and 2003 was \$1,886 and \$2,480, respectively. The capitalization policy for Alliance is \$500 per item.

H. 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. Contractual grant revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or *purpose restriction is accomplished*), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

I. Retirement Obligations

The employees of Alliance are members of the Social Security System. There are no other retirement plans available through Alliance.

J. 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 benefited.

(2) Concentrations of Credit Risk

Financial instruments that potentially subject Alliance to concentrations of credit risk consist principally of temporary cash investments. Alliance maintains cash balances at three financial institutions. At June 30, 2004, \$20,565 was held in accounts covered by Federal Deposit Insurance Corporation (FDIC) and \$157,308 was at an institution which is a member of Securities Investor Protection Corporation (SIPC). At June 30, 2003, \$34,779 was held in accounts covered by Federal Deposit Insurance Corporation (FDIC) and \$200,924 was at an institution which is a member of Securities Investor Protection Corporation (SIPC).

(Continued)

Alliance For Education, Inc.
 Shreveport, Louisiana
 Notes to Financial Statements
 June 30, 2004 and 2003
 (Continued)

(3) Temporarily Restricted Net Assets

The temporarily restricted net assets represent donations received with donor imposed restrictions which will be met in the subsequent year.

(4) Third Party Reimbursements

During the years ended June 30, 2004 and 2003, Alliance received revenue under contractual arrangements as follows:

	2004	2003
Louisiana State University in Shreveport, for enhancement of classroom instruction in elementary and secondary schools	\$ 85,000	\$ 85,000
State of Louisiana, Department of Education and State Board of Elementary and Secondary Education, passed through the Caddo Parish School Board, for teacher mini-grants/school impact grants	\$ 29,886	\$ 73,667
State of Louisiana, Office of Governor, Workforce Commission, For High Schools That Work Initiative	\$ -	\$ 15,000

(5) Agreement With Community Foundation of Shreveport-Bossier

During January, 1993 an agreement was made between Caddo Public Education Foundation (CPEF) and the Community Foundation of Shreveport-Bossier (CFS-B). This agreement was to establish a fund in CFS-B in the nature of an endowment to provide current income and long term protection for the operations of CPEF.

The fund was established on the books of CFS-B and known as the "Caddo Public Education Foundation Fund (the Fund)". The Fund is the property of CFS-B. CFS-B has the ultimate authority and control over all property in the Fund. The Fund will be used for the support of the charitable or educational purposes of CPEF. Income from the Fund will be paid and distributed to CPEF at least annually. Alliance is the successor in interest by merger to CPEF.

(Continued)

Alliance For Education, Inc.
Shreveport, Louisiana
Notes to Financial Statements
June 30, 2004 and 2003
(Continued)

Since 1993, the Foundation began fund-raising drives to capitalize the Fund. Substantial pledges have been received, with most contributions to be made over a several year period of time. The amounts so collected are remitted by the following month to the Community Foundation of Shreveport-Bossier and in turn help increase the Fund. The Fund's income, subject to nominal CFS-B administrative fees, will be returned to Alliance in the form of grants. During the years ended June 30, 2004 and 2003, Alliance received from the Fund \$48,222 and \$48,786, respectively.

Contributions made to the fund during the years ended June 30, 2004 and 2003 were approximately \$22,500 and \$4,500, respectively. The fair market value of the fund at June 30, 2004 was \$1,335,852, and at June 30, 2003 was approximately \$1,184,486.

(6) Leases

Alliance leases certain office equipment under operating leases. Rental costs for those leases for the year ended June 30, 2004 and 2003 was \$3,722 and \$3,822, respectively. Commitments under lease agreements having initial or remaining non-cancelable terms in excess of one year are as follows:

<u>June 30</u>	
2005	\$ 3,420
2006	3,420
2007	3,420
2008	3,420
2009	<u>2,565</u>
	<u>\$ 16,245</u>

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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
Alliance For Education, Inc.
Shreveport, Louisiana

We have audited the financial statements of Alliance For Education, Inc. as of and for the year ended June 30, 2004, and have issued our report thereon dated November 20, 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 the Alliance For Education, 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 these 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 the Alliance For Education, 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 on the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weakness. 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 solely for the information and use of management, the Board of Directors and awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a long horizontal flourish extending to the right.

Cook & Morehart
Certified Public Accountants
November 20, 2004

Alliance For Education, Inc.
Shreveport, Louisiana
Summary Schedule of Audit Findings
For Louisiana Legislative Auditor
June 30, 2004

Summary Schedule of Prior Audit Findings

There were no findings or management letter comments for the prior year ended June 30, 2003.

Corrective Action Plan for Current Year Audit Findings

There were no findings or management letter comments for the current year ended June 30, 2004.