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LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING

SHREVEPORT, LOUISIANA

FINANCIAL STATEMENTS

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 2-9-05

Marsha O. Millican  
Certified Public Accountant  
Shreveport, Louisiana

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING

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**Marsha O. Millican**  
**CERTIFIED PUBLIC ACCOUNTANT**  
INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Louisiana Association on  
Compulsive Gambling  
Shreveport, Louisiana

I have audited the accompanying statement of financial position of Louisiana Association on Compulsive Gambling, (a non-profit organization) as of and for the year ended June 30, 2004. These financial statements are the responsibility of Council's, management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Association on Compulsive Gambling as of June 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated December 10, 2004 on my consideration of Louisiana Association on Compulsive Gambling's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

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My audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of state contracts listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements of Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation the general purpose financial statements taken as a whole.

*Maisha D. McIlwain*

Certified Public Accountant  
December 10, 2004

## LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING

## Statement of Financial Position

June 30, 2004

## ASSETS

## CURRENT ASSETS:

Cash	\$ 19,487
Grants and contracts receivable	232,772
Prepaid rent	14,684
Other current assets	<u>520</u>

Total current assets	267,463
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FIXED ASSETS: (net)	335,931
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## OTHER ASSETS:

Prepaid rent - long term	68,232
Due from affiliated company	<u>53,895</u>

Total other assets	<u>122,127</u>
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Total Assets	<u>\$ 725,521</u>
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## LIABILITIES

## CURRENT LIABILITIES:

Accounts payable	\$ 80,160
Other current liabilities	<u>2,513</u>

Total current liabilities	<u>82,673</u>
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## NET ASSETS:

Unrestricted	642,848
Temporarily restricted	<u>-</u>

Total net assets	<u>642,848</u>
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Total liabilities and net assets	<u>\$ 725,521</u>
----------------------------------	-------------------

The accompanying notes are an integral part of this statement.

The accompanying notes are an integral part of these statements.

## EXHIBIT B

## LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING

## Statement of Activities

For the Year Ended June 30, 2004

SUPPORT AND REVENUE:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support:				
Contributions and memberships	\$ 208,746	\$ -	\$ -	\$ 208,746
Revenue:				
Client fees	125,429	-	-	125,429
Program service fees	1,320,349	-	-	1,320,349
Miscellaneous	<u>4,631</u>	<u>-</u>	<u>-</u>	<u>4,631</u>
Total Revenue	1,450,409	-	-	1,450,409
Net Assets Released from Restrictions:				
Satisfaction of usage restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>1,659,155</u>	<u>-</u>	<u>-</u>	<u>1,659,155</u>
EXPENSES:				
Program Services	1,653,710	-	-	1,653,710
Management and General	<u>181,421</u>	<u>-</u>	<u>-</u>	<u>181,421</u>
Total Expenses	<u>1,835,131</u>	<u>-</u>	<u>-</u>	<u>1,835,131</u>
Change in Net Assets	( 175,976)	-	-	( 175,976)
Net assets, July 1, as previously reported	727,568	-	-	757,568
Prior period adjustment	<u>91,256</u>	<u>-</u>	<u>-</u>	<u>91,256</u>
Net assets, restated	<u>818,824</u>	<u>-</u>	<u>-</u>	<u>818,824</u>
Net Assets, June 30	<u>\$ 642,848</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 624,848</u>

The accompanying notes are an integral part of this statement.

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING

Statement of Functional Expenses

Year Ended June 30, 2004

	<u>Core</u>	<u>Help Line Center</u>	<u>Core South</u>
Salaries	279,239	284,328	221,704
Payroll taxes	32,626	30,659	21,659
Building rent	54,000	15,600	86,119
Equipment rent/lease	3,847	719	364
Fundraising expenses	-	-	75
Utilities and telephone	23,987	27,895	25,895
Auto	2,937	3,556	10,862
Insurance	23,072	18,643	33,310
Training & travel	9,782	5,011	12,581
State conference	604	662	68
Food	29,076	-	18,093
Maintenance and repair	12,838	4,201	20,458
Supplies	12,156	8,508	16,382
Printing and literature	1,296	1,769	2,783
Depreciation	15,557	5,351	23,934
Professional services	37,205	8,507	95,119
Advertising/promotion	-	5,963	1,480
Interest expense	434	155	304
Miscellaneous	<u>12,384</u>	<u>4,235</u>	<u>9,619</u>
Total expenditures	<u>\$ 551,040</u>	<u>\$ 425,631</u>	<u>\$ 600,809</u>

The accompanying notes are an integral part of this statement.

Exhibit C

<u>Other Program Services</u>	<u>Management and General</u>	<u>Total</u>
34,110	29,513	848,894
3,517	4,300	92,724
-	-	155,719
-	-	4,930
-	-	75
-	1,616	79,279
-	30	17,385
467	7,427	82,919
1,000	28,989	57,363
-	41,883	43,217
-	-	47,169
-	277	37,774
-	1,322	38,368
33,136	-	38,984
-	1,383	46,225
4,000	49,982	194,813
-	2,820	10,283
-	373	1,266
-	11,506	37,744
<u>\$ 76,230</u>	<u>\$ 181,421</u>	<u>\$1,835,131</u>



LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2004

<u>Cash flows from operating activities:</u>	
Decrease in net assets	( 175,976)
Adjustments not requiring cash:	
Prior period adjustment	91,256
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	46,225
Decrease in accounts receivable	129,538
Decrease in accounts receivable - related party	815
Decrease in prepaid rent - current	79,566
Increase in other current assets	( 520)
Increase in prepaid rent - long term	( 68,232)
Increase in due from affiliated companies	( 53,895)
Increase in accounts payable	23,067
Increase in other current liabilities	2,513
Decrease in inter-agency accounts payable	<u>(102,187)</u>
Total adjustments	<u>56,890</u>
Net cash provided (used) by operating activities	<u>( 27,830)</u>
<u>Cash flow from investing activities:</u>	
Purchase of fixed assets	<u>( 34,614)</u>
Net cash provided (used) by investing activities	<u>( 34,614)</u>
Net increase (decrease) in cash and equivalents	( 62,444)
Cash and equivalents, beginning of year	<u>81,931</u>
Cash and Equivalents, end of year	<u>\$ 19,487</u>

The accompanying notes are an integral part of this statement.

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING

Notes to Financial Statements

June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. General:

Louisiana Association on Compulsive Gambling is a nonprofit organization exempt for Federal income tax purposes under Section 501(C)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

B. Nature of Activities:

The purpose of the Association is to continue heightening public awareness that compulsive gambling is a preventable and treatable disease, through a combined strategy of educational, public policy changes and the efforts of individuals, families and all elements of the community working in concert.

C. Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

D. Support and Revenue:

The Association receives its program service fees primarily from the State of Louisiana Department of Health and Hospitals and other State Agencies. Support and revenue received from those grants and contracts is recognized on a "net funded" basis whereby State of Louisiana Department of Health and Hospitals, Office for Addictive Disorders funding is recognized on a last-dollar-in basis. Related expenses incurred are "netted" first by client fees and food stamp income in determining grant funds to be recognized.

E. Cash and Cash Equivalents:

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

F. Property and Equipment:

Purchased property and equipment are stated at cost. Donated property and equipment are stated at their fair market value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from twenty five years for leasehold improvements and five to seven years for furniture and equipment.

(Continued)

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING

Notes to Financial Statements

June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

G. Contributions and Memberships:

All contributions received are considered available for unrestricted use unless the donor specifies a restriction. Amounts received that are 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 restricted net asset are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Memberships are essentially honorary, as no goods or services are provided to the members in exchange for their membership dues.

H. Estimates:

The preparation of financial statements in conformity with 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.

I. Functional Allocation of Expenses:

The costs of providing the Association's various programs and supporting services 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.

2. Grants and Contracts Receivable:

Grants and contracts receivable at June 30, 2004 are as follows:

Department of Health and Hospitals	\$ 216,590
Other Receivables	<u>16,182</u>
Total	<u>\$ 232,772</u>

All grants and contracts receivable at June 30, 2004, are fully collectible.

(Continued)

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING

Notes to Financial Statements

June 30, 2004

3. Property and Equipment:

Property and Equipment consists of the following:

Leasehold Improvements	\$	214,513
Furniture and Fixtures		95,159
Equipment		<u>159,117</u>
		468,789
Less Accumulated Depreciation	(	<u>132,858)</u>
Property and Equipment - Net	\$	<u>335,931</u>

4. Rental Expense:

The Association leases the facilities that house its treatment center. The original term of the lease was five (5) years and the lease payments are \$4,500 per month.

The Association entered into a lease agreement on August 7, 2002, for the location of a new treatment center in New Orleans. The term of the lease is sixty months. The Association prepaid \$76,500 upon lease execution as non-refundable pre-payment of tenant improvement rent. The balance of prepaid rent at June 30, 2004 is \$68,650. Under this agreement, the Association has the following minimum lease payments due: Years ending ending June 30, 2005 through June 30, 2008 - \$84,403 each year for a total of \$337,612.

5. Related Party Transactions:

The Association entered into transactions with Council on Alcoholism and Drug Abuse, Inc., a non-profit organization related through common management. The Council owns a building (separate from the Council's main office) that it leases to the Association. The term of the lease is five (5) years and the lease payment is \$4,500 per month. The lease includes a \$45,000 deposit by the Association that the Association may deduct from its rental payments to the Council at the rate of \$500 per month for ninety (90) consecutive months as a reduction in the amount of the deposit. At June 30, 2004, the remaining amount of deposit was \$11,750. In the event that the Association does not make monthly payments or elects not to occupy the leased premises, the balance of the remaining deposit will be forfeited to the Council.

The Association paid \$30,000 in management fees to Council on Alcoholism and Drug Abuse, Inc. for the administrative costs of managing the Association's contracts and maintaining its accounting records. The Council also processes the Association's payroll under the Council's name; the Association reimburses the Council for the total cost of the payroll and associated payroll taxes and benefits.

The Association also rented two other buildings from the Council for use in two of the Association's programs. Total rent paid to the Council on these buildings during the fiscal year ended June 30, 2004, was \$69,600.

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING

Notes to Financial Statements

June 30, 2004

5. Related Party Transactions: (Continued)

At June 30, 2004, the Association owed \$53,895 to the Council.

6. Prior Period Adjustment

Due to errors in prior periods deemed to be material, net assets at July 1, 2003 have been adjusted as follows:

	<u>Unrestricted</u>	<u>Restricted</u>
Balance, July 1, 2003, as previously reported	727,568	-
Adjustments:		
Correction to record liability for compensated absences	( 2,834)	-
Correction of reserve for unemployment insurance	<u>94,090</u>	<u>-</u>
Balance, July 1, 2003 restated	<u>\$ 818,824</u>	<u>\$ -</u>

7. Economic Dependency

The Council received ninety one (91) percent of its program service fees from three contracts through the State of Louisiana. The contracts are appropriated each year by federal and state governments. If budget cuts are made at the federal and/or state government level, the amount of funds the Council receives could be reduced and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Council will receive in the next fiscal year.

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING

Schedule of State Contracts  
For the Year Ended June 30, 2004

<u>PROGRAM TITLE</u>	<u>CONTRACT NUMBER</u>	<u>PROGRAM AWARD AMOUNT</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>
Louisiana Department Of Health & Hospitals:				
<u>Office of Addictive Disorders:</u>				
Counseling Services	030643	\$ 40,000	\$ 40,000	\$ 40,000
CORE Treatment Center	030642	558,450	414,035	414,035
Help Line	030641	265,000	265,000	265,000
Gambling Conference	031471	15,000	15,000	15,000
Video Poker	031470	47,500	42,763	42,763
Core Treatment South	031323	109,800	74,700	74,700
Core Treatment South	031322	<u>391,354</u>	<u>387,780</u>	<u>387,780</u>
Total - All State Contracts		<u>\$1,427,104</u>	<u>\$ 1,239,278</u>	<u>\$ 1,239,278</u>

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING  
Corrective Action Taken on Prior Year Findings  
For the Year Ended June 30, 2004

Prior Year Finding #1:

The Association failed to comply with state law (LA R.S. 24:513) since the annual financial report was submitted to the Louisiana Legislative Auditor's Office after December 31, 2003, the six-month statutory issue date.

Status: Resolved.

Prior Year Reportable Conditions and Material Weaknesses:

- (1) Cash was not reconciled on a monthly basis.

Status: Resolved, April 2004.

- (2) Financial statements were not prepared and reconciled on a monthly basis.

Status: Resolved, April 2004.

- (3) Accounting records were not filed in a consistent manner.

Status: Resolved.

- (4) The support for two checks chosen for testing could not be provided.

Status: Resolved.

- (5) Lack of segregation of duties with respect to the person making adjustments to the financial records.

Status: Resolved, April 2004.



**Marsha O. Millican**  
**CERTIFIED PUBLIC ACCOUNTANT**

INDEPENDENT AUDITOR'S 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  
Louisiana Association on Compulsive Gambling  
Shreveport, Louisiana

I have audited the financial statements of Louisiana Association on Compulsive Gambling as of June 30, 2004, and have issued my report thereon dated December 10, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Louisiana Association on Compulsive Gambling is free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Louisiana Association on Compulsive Gambling's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely

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affect Louisiana Association on Compulsive Gambling's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. This reportable condition is described in the accompanying schedule of findings and questioned costs as Finding #1.

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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I consider Finding #1 to be a material weakness.

This report is intended for the information of management and federal and state cognizant agencies and is not intended to be, and should not be, used by anyone other than the specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Certified Public Accountant  
December 10, 2004

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING

Schedule of Findings

For the Year Ended June 30, 2004

FINDING #1:

Criteria: The segregation of duties is inadequate to provide effective internal control over financial reporting and operations. The Association's accounting records are processed by Council on Alcoholism and Drug Abuse, an organization affiliated through common management. During the year ended June 30, 2004, the Chief Administrative Officer performed many of the duties of the Council's Executive Director.

Effect: The lack of segregation of duties resulted in the following: cash accounts were not reconciled on a monthly basis and financial statements were not prepared and reconciled on a monthly basis.

Recommendation: I recommend duties between administrative and accounting be segregated whenever possible.

Management's Response and Corrective Action Plan: We agree with the finding. During the year ended June 30, 2004, the Executive Director of the Council passed away. His death required the Chief Administrative Officer to perform many duties normally performed by the Executive Director.

The Council hired a new Executive Director on April 22, 2004. They We have assessed the staffing of their accounting department and segregated duties as required.

As of April, 2004, cash accounts have been reconciled and financial statements have been prepared on a monthly basis.