

People Centered Support Services, Inc.
Ruston, Louisiana

Annual Financial Statements
As of June 30, 2004 and for the Year Then Ended

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

EDWARDS & WADE, CPAs

A PROFESSIONAL CORPORATION

206 REYNOLDS DRIVE, SUITE G-2 • RUSTON, LOUISIANA 71270

People Centered Support Services, Inc.

Annual Financial Statements
As of and for the Year Ended June 30, 2004
With Supplemental Information Schedules

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EDWARDS & WADE

Certified Public Accountants
A Professional Accounting Corporation
Members: AICPA / Society of LCPA's

Independent Auditor's Report

Board of Directors of
People Centered Support Services, Inc.
Ruston, Louisiana 71270

We have audited to balance sheet of People Centered Support Services, Inc., an S corporation, as of June 30, 2004, and the related statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of People Centered Support Services, Inc.'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. 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 People Centered Support Services, Inc., as of June 30, 2004, and the results of its operation and 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 2, 2004, on our consideration of People Centered Support Services, 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.

Edwards & Wade

Ruston, Louisiana
December 2, 2004

People Centered Support Services, Inc.
Balance Sheet
As of June 30, 2004

ASSETS

Current assets:	
Cash and cash investments	\$198,059
Accounts receivables-trade	179,033
Total current assets	<u>377,092</u>
Non-current assets:	
Due from related party	385,249
Other assets	6,690
Capital assets (net of accumulated depreciation)	117,000
Total Non-current assets	<u>508,939</u>
TOTAL ASSETS	<u><u>\$886,031</u></u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities:	
Accounts, salaries, and other payables	\$35,352
Accrued liabilities	64,362
Current portion of loan payable	3,450
Total current liabilities	<u>103,164</u>
Non-current liabilities:	
Loan payable	30,854
Total non-current liabilities	<u>30,854</u>
Total liabilities	<u>134,018</u>
Stockholder's Equity	
Common stock, no par value, 5,000 shares authorized, 100 shares issued and outstanding in 2004	5,000
Capital - Shareholder	(367,890)
Distributions	(35,647)
Retained earnings	1,150,550
Total Stockholder's Equity	<u>752,013</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u><u>\$886,031</u></u>

The accompanying notes are an integral part of this statement.

People Centered Support Services, Inc.
Statement of Income and Retained Earnings
For the Year Ended June 30, 2004

REVENUES	
Follow along	\$54,138
Mobile crew	123,835
Vocational	254,275
Medicaid	1,062,936
Personal care attendant	5,073
Supported independent living - OCDD	13,952
Self-generated income	120,251
Grant income	53,646
Other revenues	571
TOTAL REVENUES	<u>1,688,677</u>
EXPENSES	
Advertising	248
Bank charges	149
Dues	402
Licenses and permits	902
Auto expenses	24,990
Postage	1,135
Professional services	14,617
Telephone	13,584
Rent	22,455
Travel & seminar	49,557
Miscellaneous expense	3,230
Repairs and maintenance	7,455
Supplies	28,901
Utilities	16,633
Taxes - other	1,195
Yard expenses	1,964
Outside services	4,000
Consumer wages	74,773
Consumer supplies	56,047
Consultants	603
Depreciation	30,552
Salaries & wages	924,871
Accrued payroll	10,387
Payroll taxes	85,981
Postretirement expenses	3,141

(Continued)

See accompanying auditor's report and notes to financial statements.

People Centered Support Services, Inc.
Statement of Income and Retained Earnings
For the year ended June 30, 2004

EXPENSES (Continued)	
Insurance	\$70,991
Non-allowable expenses	5,874
Management fee allocation	<u>(118,190)</u>
TOTAL EXPENSES	<u>1,336,447</u>
Operating Income	<u>352,230</u>
NON-OPERATING INCOME (Expense)	
Interest expense	(3,926)
Rent income	5,271
Interest income	<u>7,162</u>
TOTAL NON-OPERATING INCOME (Expense)	<u>8,507</u>
NET INCOME	360,737
Retained earnings as of beginning of year	<u>789,813</u>
Retained earnings as of end of year	<u><u>\$1,150,550</u></u>

See accompanying auditor's report and notes to financial statements.

People Centered Support Services, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2004

Cash Flows from Operating Activities	
Receipts from customers and users	\$1,614,866
Receipts from related party	0
Payments to suppliers	(372,728)
Payments to employees	(924,871)
Payments to related party	(139,400)
Net Cash Provided by Operating Activities	<u>177,867</u>
Cash Flows from Noncapital Financing Activities	
Current year distribution to shareholder	(35,647)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(35,647)</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	(76,135)
Principal paid on capital debt	(933)
Interest paid on capital debt	(3,926)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(80,994)</u>
Cash Flows from Investing Activities	
Rent income	5,271
Interest and dividends received	7,162
Net Cash Provided by Investing Activities	<u>12,433</u>
Net Increase in Cash and equivalents	73,659
Cash and equivalents, Beginning of Year	124,400
Cash and equivalents, End of Year	<u>\$198,059</u>
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities	
Operating income	\$352,230
Depreciation expense	30,552
(Increase) decrease in accounts receivable	(67,544)
(Increase) decrease in due from related party	(139,400)
(Increase) decrease in other assets	(6,267)
(Increase) decrease in accounts payable	(5,310)
(Increase) decrease in accrued liabilities	13,606
Net Cash Provided by Operating Activities	<u>\$177,867</u>
Reconciliation of total cash and cash investments:	
Current assets - cash and cash investments	\$198,059
Total cash and cash investments	<u>\$198,059</u>

The accompanying notes are an integral part of this statement.

People Centered Support Services, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2004

INTRODUCTION

People Centered Support Services, Inc.'s (an S corporation) primary business activity is to provide services by qualified staff to the targeted or waiver population to assist them in gaining access to the full range of needed services including medical, social, emotional, and other support services. The Company has one location in Ruston, Louisiana. The Company is a corporation which incorporated on March 17, 1999.

Method of Accounting

The books and records are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash with an initial maturity of three months or less.

Receivables

The Company uses the direct writeoff method of recognizing bad debts. Management considered all accounts receivable at June 30, 200 to be fully collectible, therefore no allowance for doubtful accounts was recorded. Although the direct write-off method is not in accordance with generally accepted accounting principles (GAAP), it approximates GAAP if all material doubtful accounts have been written off and the Company does not anticipate a significant increase in bad debts.

Fixed Assets

Fixed assets are stated at cost. Depreciation is computed using the, straight-line method over the estimated useful lives with respect to major classes of depreciable assets as follows:

Furniture and equipment	3 - 10	years
Vehicle	5	years
Building	27 ½	years

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

At June 30, 200, the Company has cash and cash equivalents (book balances) totaling \$198,059 as follows:

People Centered Support Services, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2004

Demand deposits	\$198,059
Time deposits	<u>0</u>
Total	<u><u>\$198,059</u></u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2004, the Company has \$216,466 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$0 of pledged securities held by the custodial bank in the name of the fiscal agent bank. (GASB Category 3). The Corporation has a balance in excess of FDIC coverage and pledged securities in one bank for which it is at risk.

3. PROPERTY AND EQUIPMENT

The following is a schedule of additions and deletions for the year ended June 30, 2004:

	<u>Balance</u> <u>6/30/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/04</u>
Equipment	\$9,026	\$4,780		\$13,806
Vehicle	1,472	67,057		68,529
Building	67,550	4,298		71,848
Less accumulated depreciation	<u>(6,631)</u>	<u>(30,552)</u>		<u>(37,183)</u>
Total	<u><u>\$71,417</u></u>	<u><u>\$45,583</u></u>	<u><u>\$0</u></u>	<u><u>\$117,000</u></u>

4. COMPENSATED ABSENCES

Sick leave is earned by full-time employees at the rate of 1.85 hours per pay period. Sick leave may be accrued but when the balance is greater than 48 hours, the Company buys back to excess hours. Personal leave is earned by full-time employees at the rate of 3.08 hours per pay period or 4.62 hours per pay period after 5 years of employment. Personal leave may be accrued but when the balance is greater than 80 hours or 120 hours after 5 years of employment, the Company buys back to excess hours.

Accrued compensated absences consist of unpaid sick leave and personal leave as follows:

Sick leave	\$6,128
Personal leave	<u>9,340</u>
Total	<u><u>\$15,468</u></u>

People Centered Support Services, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2004

5. LEASES

For the year ended June 30, 2004, the Company did not have any capital leases.

6. PROGRAMS

The organization's principal programs and primary funding sources are:

Adult Habilitation - this program's income is derived from the Louisiana Department of Health and Hospitals. These funds are used to train clients in vocational and pre-vocational activities and supportive services.

Vocational Rehabilitation - this program's income is derived from the Department of Social Services, Office of Louisiana Rehabilitative Services. This program provides vocational training support to clients placed in jobs within the community.

Supported Work Contracts - this program's income is derived from services by clients which include janitorial and other contracts.

Supported/Independent Living - this program's income is derived from the Louisiana Department of Health and Hospitals. This program helps the individual clients become more independent by providing support and training in their residences within the community.

Respite - this program's income is derived from the Louisiana Department of Health and Hospitals. The program provides temporary care within the client's home.

Personal Care Attendant - this program's income is derived from the Louisiana Department of Health and Hospitals. This program provides support and training for individuals in satisfying their own personal needs.

7. RELATED PARTY TRANSACTIONS

The related parties consist of one company with common ownership and one non-profit company whose executive director is the Company's 100% stockholder. The following is a summary of the due from related party transactions for the year ended June 30, 2004:

Balance, June 30, 2003	\$245,849
Management fee allocation	118,190
Payments made for related parties	58,778
Payments received	(44,730)
Imputed interest @ 2%	<u>7,162</u>
Balance, June 30, 2004	<u>\$385,249</u>

People Centered Support Services, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2004

8. STOCKHOLDERS' EQUITY

	<u>Common Stock</u>	<u>Distributions</u>	<u>Retained Earnings</u>	<u>Total Stockholders' Equity</u>
July 1, 2003	\$5,000	(\$367,890)	\$789,813	\$426,923
Distributions		(35,647)		(35,647)
Net Income			360,737	360,737
June 30, 2004	<u>\$5,000</u>	<u>(\$403,537)</u>	<u>\$1,150,550</u>	<u>\$752,013</u>

9. SCHEDULE OF FEDERAL & STATE GRANT FINANCIAL ASSISTANCE

<u>Grant/Program Title</u>	<u>Grant I.D. number</u>	<u>Award Amount</u>	<u>Revenue recognized</u>	<u>Unawarded</u>
United States Department of Transportation		\$53,646	\$53,646	\$0
Louisiana Department of Health and Hospitals				
Office for Citizens with Developmental Disabilities				
Supported Living	CFMS 596476	16,660	13,952	2,708
Vocational and Habilitative Services	CFMS 595528	195,198	191,039	4,159
Total		<u>\$211,858</u>	<u>\$204,991</u>	<u>\$6,867</u>

10. SCHEDULE OF REVENUE

	<u>State</u>	<u>Fees for Services</u>	<u>Total</u>
Adult services	\$191,039	\$434,588	\$625,627
Respite		16,953	16,953
Residential services	13,951	169,819	183,770
Personal Care		808,110	808,110
Grant	53,646		53,646
Other		571	571
Total	<u>\$258,636</u>	<u>\$1,430,041</u>	<u>\$1,688,677</u>

REQUIRED SUPPLEMENTAL INFORMATION

EDWARDS & WADE

Certified Public Accountants
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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*

Board of Directors of
People Centered Support Services, Inc.
Ruston, Louisiana

We have audited the financial statements of the People Centered Support Services, Inc. as of and for the year ended June 30, 2004 and have issued our report thereon dated December 2, 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 People Centered Support Services, Inc.'s basic 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as item 04-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered People Centered Support Services, 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 general purpose 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.

Because of a limited number of available personnel, it is not possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

Our audit did not reveal any significant errors or irregularities resulting from this lack of segregation of employee duties and responsibilities.

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

Edwards & Wach

Ruston, Louisiana
December 2, 2004

People Centered Support Services, Inc.
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2004

We have audited the financial statements of People Centered Support Services, Inc. as of and for the year ended June 30, 2004, and have issued our report thereon dated December 2, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of People Centered Support Services, Inc. resulted in an unqualified opinion.

A. Summary of Audit Results

1. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Reportable Yes No

Compliance

Compliance Material to Financial Statements Yes No

2. Federal Awards

Internal Control

Material Weaknesses Yes No Reportable Yes No

Type of Opinion On Compliance Unqualified Qualified
 For Major Programs Disclaimer Adverse

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?
 Yes No

3. Identification of Major Programs:

CFDA Number(s)

Name of Federal Program (or Cluster)

N/A

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 300,000

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133? Yes No

B. Financial Statements Findings

04-1. The Company did not have adequate collateralization on one of it's bank accounts.

Recommendation: Company inquire of the financial institution regarding adequate coverage.

Response: The Company concurs and will monitor this in the future. The Company has used much of the excess since year end of various projects.

C. Federal Award Findings and Questioned Costs

None

People Centered Support Services, Inc.
Summary of Prior Year Findings
For the Year Ended June 30, 2004

A. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

03-1. The Company did not have adequate collateralization on one of it's bank accounts.

Recommendation: Company inquire of the financial institution regarding adequate coverage.

Conclusion: Unresolved - see 04-1

03-2. The Company uses a non-interest bearing checking account. Failure to invest excess cash does not comply with revised statute 33:2955. The effect of this noncompliance is that the Company is not maximizing their earnings potential.

Recommendation: Company needs to put excess cash into interest bearing accounts.

Conclusion: Resolved

03-3. The governing body failed to document board meeting twice a year.

Recommendation: Company conduct board meeting at least twice a year with sufficient documentation.

Conclusion: Resolved

B. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

None

C. MANAGEMENT LETTER

None

PEOPLE CENTERED SUPPORT SERVICES, INC.
1201 ATKINS ROAD
RUSTON, LA 71270
(318)255-9105

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2004

People Centered Support Services, Inc. hereby submits the following corrective action plan as referenced in the Schedule of Findings and Questioned Costs:

04-1. See the Schedule of Findings and Questioned Costs - Section B.