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OPTIONS, INC.
(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-16-05

OPTIONS, INC.

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JUNE 30, 2004

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BERNARD & FRANKS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

JOSEPH V. FRANKS II, C.P.A.

NICHOLAS F. CHETTA, C.P.A.

NICHOLAS W. LAFRANZ III, C.P.A.

JAMES L. WHITE, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Options, Inc.
Hammond, Louisiana

We have audited the accompanying statement of financial position of Options, 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 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 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 Options, 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 November 15, 2004, on our consideration of Options, 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.

Bernard & Franks

Metairie, Louisiana
November 15, 2004

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OPTIONS, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004

	<u>2004</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 589,945
Certificates of deposit	177,327
Accrued Interest	4,722
Accounts receivable	
Government contracts	317,238
Other	66,570
Unconditional promises to give	16,000
Inventory	4,946
Prepaid expenses	126,811
Total current assets	<u>\$ 1,303,559</u>
RESTRICTED ASSETS	
Cash restricted for acquisition of property and equipment	\$ 107,914
Cash restricted for endowment	13,526
Total restricted cash	<u>\$ 121,440</u>
LAND, PROPERTY AND EQUIPMENT	\$ 1,839,835
Less accumulated depreciation and amortization	<u>(651,461)</u>
	<u>\$ 1,188,374</u>
OTHER ASSETS	
Deposits	<u>\$ 200</u>
 Total assets	 <u><u>\$ 2,613,573</u></u>

	<u>2004</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 51,315
Other payables	9,610
Insurance payable	90,121
Accrued salaries and payroll taxes	310,621
Notes Payable	<u>36,467</u>
Total current liabilities	<u>\$ 498,134</u>
LONG-TERM DEBT	<u>\$ 211,015</u>
Total Liabilities	<u>\$ 709,149</u>
NET ASSETS	
Unrestricted	\$ 1,585,818
Temporarily restricted	305,080
Permanently restricted	<u>13,526</u>
Total net assets	<u>\$ 1,904,424</u>
Total liabilities and net assets	<u><u>\$ 2,613,573</u></u>

See Notes to Financial Statements.

OPTIONS, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Revenues and gains				
Contributions				
United Way	\$ -	\$ 16,000	\$ -	\$ 16,000
Fund-raising income	99,320	-	-	99,320
Land	-	43,000	-	43,000
Vehicles	-	138,166	-	138,166
Other	18,526	64,205	-	82,731
Federal contracts	3,504,016	-	-	3,504,016
State contracts	455,774	-	-	455,774
Vocational rehabilitation	77,278	-	-	77,278
Vocational contracts	\$ 463,959			
Less: Cost of services	<u>(373,192)</u>			
Vocational contracts gross profit	90,767	-	-	90,767
Interest income	9,625	-	-	9,625
Other income	58,458	-	-	58,458
Net assets released from restrictions				
Expiration of time restriction -- United Way Services	16,000	(16,000)	-	-
Expiration of use restriction -- purchase of equipment	<u>153,754</u>	<u>(153,754)</u>	-	-
Total revenues, gains, and other support	\$4,483,518	\$ 91,617	\$ -	\$ 4,575,135
EXPENSES				
Program Services				
Residential services	\$1,027,289	\$ -	\$ -	\$ 1,027,289
Vocational services	1,103,400	-	-	1,103,400
Children's choice	5,538	-	-	5,538
Supervised independent living	1,072,338	-	-	1,072,338
Personal care	326,518	-	-	326,518
Crisis intervention	36,999	-	-	36,999
Support Services				
Management and general	775,687	-	-	775,687
Fund-raising	<u>29,364</u>	-	-	<u>29,364</u>
Total expenses	<u>4,377,132</u>	-	-	<u>4,377,132</u>
Change in net assets	106,386	91,617	-	198,003
Net assets at beginning of year	<u>1,479,432</u>	<u>213,463</u>	<u>13,526</u>	<u>1,706,421</u>
Net assets at end of year	<u>\$ 1,585,818</u>	<u>\$ 305,080</u>	<u>\$ 13,526</u>	<u>\$ 1,904,424</u>

See Notes to Financial Statements.

OPTIONS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2004**

	Program Services			
	Residential Services	Vocational Services	Children's Choice	Independent Living
Salaries and related expenses:				
Salaries	\$ 586,971	\$ 707,848	\$ 3,776	\$ 932,415
Temporary staff	-	-	-	-
Employee benefits & taxes	53,000	74,121	309	75,273
Workers' compensation	12,201	59,787	88	24,637
	<u>652,172</u>	<u>841,756</u>	<u>4,173</u>	<u>1,032,325</u>
Administrative and general	3,938	-	-	2,884
Bank fees	27	301	-	-
Bad debt	-	-	-	-
Cost of sales	-	373,192	-	-
Bed tax	99,402	-	-	-
Crisis intervention	-	-	-	-
Depreciation	44,200	80,895	-	4,480
Dues, licenses, and subscriptions	2,520	395	-	-
Food and supplies	53,510	8,138	-	468
Fund raising	-	-	-	-
Insurance				
Liability	31,682	11,709	-	-
Motor vehicle	12,831	36,158	-	2,554
Other property	1,039	-	-	-
Interest	15,640	1,367	-	-
Medical consultants	22,194	-	-	759
Medical supplies	7,431	1,099	1,322	906
Miscellaneous	-	-	-	-
Motor vehicle expense	18,328	92,428	-	8,951
Office supplies	686	3,280	-	-
Other	1,905	1,175	11	(109)
Other supplies	11,246	106	-	2,274
Postage	-	65	-	-
Professional services	-	-	-	-
Rent	-	1,558	-	-
Repairs and maintenance	13,578	761	-	359
Social workers	7,267	882	-	1,532
Telephone	95	-	32	31
Travel and transportation	92	8,865	-	14,723
Seminars and training	101	9,661	-	-
Utilities	27,405	2,801	-	201
	<u>\$ 1,027,289</u>	<u>\$ 1,476,592</u>	<u>\$ 5,538</u>	<u>\$ 1,072,338</u>
Less expenses (cost) deducted from revenues on statement of activities		(373,192)		
Total expenses, net of cost of sales	<u>\$ 1,027,289</u>	<u>\$ 1,103,400</u>	<u>\$ 5,538</u>	<u>\$ 1,072,338</u>

See Notes to Financial Statements.

		Supporting Services			
Personal Care	Crisis Intervention	Management and General	Fund- raising	Total	
\$ 288,210	\$ 4,877	\$ 314,767	\$ -	\$ 2,838,864	
-	-	52,747	-	52,747	
23,951	328	111,945	-	338,927	
6,666	47	20,100	-	123,526	
<u>318,827</u>	<u>5,252</u>	<u>499,559</u>	<u>-</u>	<u>3,354,064</u>	
360	-	-	-	7,182	
-	-	16,947	2,052	19,327	
-	-	2,000	-	2,000	
-	-	-	-	373,192	
-	-	-	-	99,402	
-	31,664	-	-	31,664	
-	-	26,877	-	156,452	
-	-	4,777	-	7,692	
121	-	-	-	62,237	
-	-	-	19,187	19,187	
-	-	39,438	-	82,829	
-	-	-	-	51,543	
-	-	1,375	-	2,414	
-	-	162	-	17,169	
-	-	-	-	22,953	
12	-	-	-	10,770	
-	-	6,000	-	6,000	
-	-	-	-	119,707	
-	-	35,154	-	39,120	
-	-	7,401	294	10,676	
699	-	-	3,916	18,241	
-	-	3,582	1,164	4,811	
-	-	58,826	2,145	60,971	
-	-	-	-	1,558	
-	-	7,750	-	22,448	
-	-	-	-	9,681	
-	-	15,913	-	16,071	
6,499	83	7,179	-	37,441	
-	-	24,483	606	34,851	
-	-	18,264	-	48,671	
<u>\$ 326,518</u>	<u>\$ 36,999</u>	<u>\$ 775,687</u>	<u>\$ 29,364</u>	<u>\$ 4,750,324</u>	
				(373,192)	
<u>\$ 326,518</u>	<u>\$ 36,999</u>	<u>\$ 775,687</u>	<u>\$ 29,364</u>	<u>\$ 4,377,132</u>	

OPTIONS, INC.

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004**

	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	\$ 198,003
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	156,452
Unrealized (appreciation) depreciation of investments	(3,572)
Write-off of goodwill	6,000
(Increase) decrease in operating assets	
Accounts receivable	(59,856)
Prepaid expenses	(73,935)
Increase (decrease) in operating liabilities:	
Accounts payable	(11,412)
Other payables	101,652
Accrued salaries and payroll taxes	87,599
Net cash provided by operating activities	<u>\$ 400,931</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of certificates of deposit	\$ (68,665)
Maturity of certificate of deposit	146,211
Change in restricted cash and cash equivalents	56,549
Payments for property and equipment	(370,965)
Net cash used in investment activities	<u>\$ (236,870)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from notes payable	54,570
Payments on notes payable	(42,355)
Net cash provided by financing activities	<u>\$ 12,215</u>
Net increase (decrease) in cash and cash equivalents	\$ 176,276
Beginning cash and cash equivalents	<u>413,669</u>
Ending cash and cash equivalents	<u>\$ 589,945</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash paid for Interest	<u>\$ 17,169</u>

See Notes to Financial Statements.

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Options, Inc. is a private nonprofit corporation which provides quality services to the needs of people with disabilities and their families. Originally a part of TARC, Options has provided quality services since 1973. These services include the following:

Residential Services

Residential services provides a home to six individuals with 24-hour, awake staff who provide training and support. Each home is located in a residential setting. The purpose is to provide individualized training, support, and a warm and nurturing home-like living arrangement.

Vocational Services

The purpose of vocational services is to allow persons with disabilities to develop work skills and to offer a variety of employment options, which help individuals, maximize their potential. Options' staff work with each individual to find a "job match" based on an interest and skills inventory. We assess the needs and wants of the individual, as well as the needs and wants of a business and match those needs to ensure the right fit.

Children's Choice

The purpose of this program is to provide supplemental support services to children with disabilities, from birth to 18 years of age, who currently live at home with their families or will leave an institutional setting to return home. Services provided include: family support, crisis support, family training, diapers, home ramps, bathroom modifications, general adaptations and vehicle lifts.

Independent Living

The purpose of the Independent Living Program is to provide the supports needed for each individual with a disability to live in the community as independently as possible. The Independent Living Program offers individuals personalized living choices based on their needs and wants.

Personal Care

The purpose of the Personal Care Program is to help meet the needs of people with disabilities who live in their own home or apartment by providing assistance with daily living. We provide assistance to the primary caregiver as needed. Services may be provided to people of all ages with a disability on either an emergency or planned basis in the person's home.

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Crisis Intervention

The purpose of this program is to support disabled persons in their homes during times of crisis, assuring that they remain safe in the least restrictive environment that meets their needs. Services are short term, generally two weeks, but may be extended for two week periods as needed

Basis of Presentation

Financial statement presentation follows recommendation 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.

Basis of Accounting

The financial statements of Options, Inc. have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Accounts Receivable

Accounts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for doubtful accounts at June 30, 2004 was \$2,000.

Cash and Cash Equivalents

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

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations

The Organization's primary source of revenue is Medicaid (Title XIX) revenue. For the fiscal year ended June 30, 2004, \$3,504,016, or 71% of the Organization's total gross revenue was Title XIX. Additionally, \$455,774, or 9% of the Organization's total gross revenue was from Office for Citizens with Developmental Disabilities and \$463,959, or 9% of the total gross revenue was from small business contracts. The remaining \$524,577, or 11% of the total gross revenue was from various activities, including client cost of care, private pay fees and fundraising activities.

Donated Services

Contributions of donated non-cash assets are recorded at their fair market value in the period received. Contribution of donated services that create or enhance non-financial assets or that requires specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair market values in the period received.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Estimates

Management uses estimated 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 revenue and expenses. Actual results could differ from those estimates.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory is carried at cost and consists of janitorial and office supplies.

Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, Options, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a)(2) of the Internal Revenue Code

Investments

Investments in marketable equity securities with readily determinable fair values are stated at fair market value.

Promises to Give

Unconditional promises to give, if applicable, less an allowance for uncollectible amounts are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property 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 useful life of the assets. State funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State has a reversionary interest in those assets purchased with its funds which have a cost of \$500 or more, and an estimated useful life of at least one year.

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Support and Revenue

Options, Inc. received grant and contract support primarily from the State Department of Health and Hospitals, Office for Citizens with Developmental Disabilities, and Louisiana Rehabilitation Services. Support received from those grants and contracts is recognized when it is earned. Options, Inc. received client fees, Medicaid income, and Medicare income for billable client services and recognizes these fees and income when earned.

NOTE 2. CASH AND CASH EQUIVALENTS

Options, Inc. maintains several bank accounts at various banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash at these two institutions exceeded FDIC limits at June 30, 2004 by \$497,814. It is the opinion of management that the solvency of the referenced financial institution is not of particular concern at this time.

NOTE 3. CERTIFICATES OF DEPOSIT

At June 30, 2004, Options, Inc. had Certificates of Deposit as follows:

<u>Face Value</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
\$ 14,000	1.20%	10/07/2004
54,080	1.65%	10/05/2004
59,247	3.06%	10/22/2005
<u>50,000</u>	2.40%	05/05/2005
<u>\$177,327</u>		

NOTE 4. UNCONDITIONAL PROMISE TO GIVE

At June 30, 2004, unconditional promises to give consist of:

United Way	<u>Amount</u> <u>\$16,000</u>
------------	----------------------------------

The unconditional promise to give is receivable in the next fiscal year. The receivable is deemed to be fully collectible by management. Accordingly, no provision has been made for uncollectible amounts. The amount due from United Way consists of the following:

Allocation for next fiscal year, general allocation	<u>\$ 16,000</u>
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OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 5. PROPERTY AND EQUIPMENT

Property and Equipment at June 30, 2004, consisted of the following:

	<u>Amount</u>
Land	\$ 137,568
Buildings & Improvements	897,556
Furniture & Fixtures	156,886
Software	39,495
Vehicles	608,330
	1,839,835
Less: Accumulated depreciation	(651,461)
	<u>\$ 1,188,374</u>

Depreciation expense totaled \$156,452 for the year ended June 30, 2004.

NOTE 6. LEASES

Options, Inc. has two leases that are cancelable with one month's notice by either party. For the year ending June 30, 2004 the total lease expense was \$1,558.

NOTE 7. ACCRUED VACATION

Options, Inc.'s employees can earn paid vacation after successful completion of three months initial period of employment.

Vacation and leave accrue at various rates depending upon length of service and hours worked per month, as follows:

<u>Employee Classification</u>	<u>Accrual Rate</u>
40 hour employees	6.67 to 14 hours per month up to a maximum of 168 hours
35-39 hour employees	5.8 to 12.25 hours per month up to a maximum of 147 hours

Accrued leave recorded at June 30, 2004 was \$53,776.

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 8. CAFETERIA PLAN

The Organization has a "Section 125" employee benefits plan, which is also referred to as a "Cafeteria" plan. Employer contributions into this plan are based on length of service. A new employee becomes eligible to participate in the plan after 90 days. Employees can use the employer contribution for term life insurance, health insurance, dependent care and medical expenses. The balance carried forward in this account is the result of unclaimed employee contributions rolling back into the plan, and dates from September 25, 1991. At June 30, 2004 the balance was \$39,181.

NOTE 9. LONG-TERM DEBT

The following is a summary of long-term liability as of June 30, 2004:

<u>Description</u>	<u>June 30, 2004</u>	<u>Interest Rate</u>	<u>Current Portion</u>	<u>Long Term</u>
Hancock Loan	\$ 13,879	6.25%	\$ 13,879	\$ -
Hancock Loan	13,279	6.25%	13,279	-
Homestead Loan	<u>220,324</u>	6.75%	<u>9,309</u>	<u>211,015</u>
	<u>\$ 247,482</u>		<u>\$ 36,467</u>	<u>\$ 211,015</u>

Notes payable at June 30, 2004 consists of the following:

Options, Inc. has a note payable to Hancock Bank with a maturity date of December 2005, however the note is payable on demand. The scheduled monthly payments are \$821 at an annual interest rate of 6.25%. This note is collateralized by a vehicle. At June 30, 2004, the balance of this loan was \$13,279.

Options, Inc. has a note payable to Hancock Bank with a maturity date of January 2006, however the note is payable on demand. The scheduled monthly payments are \$814 at an annual interest rate of 6.25%. This note is collateralized by a vehicle. At June 30, 2004, the balance of this loan was \$13,879.

Options, Inc. has a mortgage loan payable to Homestead Bank, at an annual interest rate of 6.75%. This note was converted from a construction loan in January of 2004 into a mortgage note. This note is collateralized by the Our House property. At June 30, 2004 the balance of this loan was \$220,324. The scheduled monthly principal and interest payment is \$1,996 through December 1, 2018. Interest expense for the year ended June 30, 2004 totaled \$17,169.

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 9. LONG-TERM DEBT (continued)

The following principal amounts on the mortgage loan are due over the next five years and beyond:

Year ending June 30	<u>Amount</u>
2005	\$ 9,309
2006	9,958
2007	10,651
2008	11,393
2009	12,186
Thereafter	<u>157,518</u>
	<u>\$ 211,015</u>

NOTE 10. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2004, Options, Inc. had \$305,080 in temporarily restricted net assets. Temporarily restricted net assets are available for the following purposes or periods:

	<u>Amount</u>
United Way funding for next year	\$ 16,000
Purchase of property and equipment	107,914
Department of Transportation - restricted vehicles	138,166
Land - use restricted for two years	<u>43,000</u>
	<u>\$ 305,080</u>

NOTE 11. PERMANENTLY RESTRICTED NET ASSETS

The endowment fund is a permanently restricted investment fund from the donor's restrictions that only the interest from the investment may be used for operations of Options, Inc. At June 30, 2004, the restricted balance in this fund was \$13,526.

NOTE 12. PENSION PLAN

Employees of the Organization may participate in a 403(b) savings plan, whereby the employees may elect to make contributions pursuant to a salary reduction agreement upon meeting age and length-of-service requirements. Employees may elect to defer a portion of their annual salary subject to Internal Revenue Service limits. The Organization matched up to 2% of the employees' annual salary. Employer contributions for the year ended June 30, 2004 was \$8,998.

**GOVERNMENT AUDITING STANDARDS
COMPLIANCE REPORTS**



BERNARD & FRANKS
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JAMES L. WHITE, C.P.A.

**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, Inc.
Hammond, Louisiana

We have audited the financial statements of Options, Inc. (a nonprofit organization) as of and for the year ended June 30, 2004, and have issued our report thereon dated November 15, 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Options, 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 *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Options, Inc.'s internal control 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 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 use of management, the Louisiana Legislative Auditor, and the Federal Cognizant Agencies and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by Options, Inc., is a matter of public record.

Bernard & Frank

Metairie, Louisiana
November 15, 2004

OPTIONS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDIT RESULTS

YEAR ENDED JUNE 30, 2004

SCHEDULE #1

- An unqualified opinion was issued on the financial statements of Options, Inc.
- The statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses is not applicable.
- The audit disclosed no instances of noncompliance that were material to the financial Statements of Options, Inc.
- No management letter was issued.
- There were no major programs during the year ended June 30, 2004, therefore, Options, Inc. was not subject to OMB Circular A-133.
- The dollar threshold used to distinguish between Type A and Type B programs was \$500,000.
- Options, Inc. does not qualify as a low-risk auditee.

OPTIONS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-Continued
REPORTABLE CONDITIONS - FINANCIAL STATEMENTS - CURRENT YEAR

YEAR ENDED JUNE 30, 2004

SCHEDULE #2

There were no findings related to the financial statements for the year ended June 30, 2004.

OPTIONS, INC.
SUMMARY OF PRIOR YEAR'S AUDIT FINDINGS

YEAR ENDED JUNE 30, 2004

SCHEDULE #3

Description of Prior Year Findings (2003):

For the fiscal year ended June 30, 2003, the auditors reviewed the reasonableness of payroll and payroll-related accruals and withholdings. In this review, they noted the following:

- 1) As part of compliance testing for state-funded programs, the auditors traced transactions generated in the payroll system to sourced documents. In each case tested the payroll transactions, whether for staff or client payroll, were supported by time sheet entries. However, we noted that payroll and payroll taxes recorded in the general ledger system had not been consistently reconciled to quarterly 941 totals.
- 2) For the fiscal year-ended June 30, 2003, the auditors noted that adequate supporting documentation did not exist to support the payroll-related withholding and payroll accrual accounts. Extensive audit procedures were required to determine the reasonableness of these account balances and numerous audit adjustments were necessary to adjust the payroll accrual at fiscal year end, to reclassify payroll withholding accounts from the accounts payable account, and to adjust general ledger accounts to actual.

Current Year Status:

During the current audit period the payroll tax returns were adjusted and agreed to the general ledger. Effective January 1, 2004, the payroll process was outsourced to an outside payroll service. Payroll tax forms agreed to the general ledger.

For the year end June 30, 2004, payroll-related withholding accounts and payroll accrual accounts were adequately supported by the payroll documentation.

This prior year finding was resolved in the current year.

OPTIONS, INC.
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2004

SCHEDULE #3 (Continued)

Description of Prior Year Findings (2003):

As part of the review and evaluation of internal controls and in the development of supporting documentation for account balances, we noted that numerous problems had occurred when the existing accounting software was updated. Problems encountered included generating reports previously issued by the system and generating documentation necessary to support account balances and cost centers. The overall effect was to increase the level of audit review necessary to substantiate and in many cases adjust accounts. Per discussion with management, plans are underway to implement new accounting software.

Current Status of Findings:

During the year ended June 30, 2004, new computer software was selected and implemented. The current year audit noted no material weaknesses in the control structure. The software was successfully installed and implemented during the current audit period. This finding was resolved in the current year.