RECEIV
LEGISLATIVE

04 DEC 30 A

UNITED CEREBRAL PALSY OF GREATER NEW ORLEANS, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

JUNE 30, 2004 AND 2003

TABLE OF CONTENTS

LEGIER & MATERNE

Consultants and CPAs

INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS AND ACCOMPANYING SCHEDULE

To the Board of Directors of
United Cerebral Palsy of Greater New Orleans, Inc.
New Orleans, Louisiana

We have audited the accompanying statement of financial position of United Cerebral Palsy of Greater New Orleans, Inc. (UCP) 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 UCP's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of UCP as of June 30, 2003, were audited by other auditors whose report dated August 21, 2003, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 fiscal year 2004 financial statements referred to above present fairly, in all material respects, UCP's financial position 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 October 28, 2004, on our consideration of UCP'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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of UCP taken as a whole. The accompanying schedule of income and expenses by program for the year ended June 30, 2004, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Legier + Materne, apac

October 28, 2004

Energy Centre • 1100 Poydras St • 34th Floor • New Orleans, LA 70163 • Telephone 504 561-0020 • Fax 504 561-0023

UNITED CEREBRAL PALSY OF GREATER NEW ORLEANS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2004 AND 2003

	2004	2003
ASSETS		
Cash and cash equivalents	$ 48,141	$ 27,595
Contract fees and grants receivable, net of allowance	280,530	217,421
Unconditional Promises to give:		
United Way allocation	364,229	405,180
United Way designations	31,103	36,913
State of Louisiana - Department of Transportation and Development	-	55,956
Other receivables	25,178	29,770
Investments	303,674	291,760
Funds held by Greater New Orleans Foundation	38,108	33,228
Equipment and leasehold improvements, less accumulated depreciation and amortization	143,170	81,943
Other assets	51,945	21,617
Total assets	$ 1,286,078	$ 1,201,383
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 137,328	$ 89,250
Accrued payroll and benefits	110,550	67,398
Due to the State of Louisiana - Medicaid	3,458	60,913
Line of credit	98,519	18,000
Notes Payable	3,918	13,416
Total liabilities	353,773	248,977
Net assets:		
Unrestricted	504,386	415,436
Temporarily restricted	397,919	506,970
Permanently restricted	30,000	30,000
Total net assets	932,305	952,406
Total liabilities and net assets	$ 1,286,078	$ 1,201,383

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

UNITED CEREBRAL PALSY OF GREATER NEW ORLEANS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Program service fees - Medicaid	$ 1,857,509	$ -	$ -	$ 1,857,509
Government fees and grants	593,413	-	-	593,413
United Way funding:				
Allocations	-	364,229	-	364,229
Designations	-	31,814	-	31,814
Contract services - public	269,468	-	-	269,468
Contributions:				-
In-kind - physician services	59,160	-	-	59,160
Corporate sponsors	96,565	-	-	96,565
General public	68,542	-	-	68,542
Special events	107,160	-	-	107,160
Marketing revenue	2,650	-	-	2,650
Investment and other income	18,263	-	-	18,263
Investment income on funds held by Greater New Orleans Foundation:				
Interest income	854	-	-	854
Realized and unrealized gains, net	4,033	-	-	4,033
Net assets released from restrictions:				
Satisfaction of program restrictions	505,094	(505,094)	-	-
Total revenues and other support	3,582,711	(109,051)	-	3,473,660
EXPENSES				
Program services:				
Adult Program	935,007	-	-	935,007
Children's Program	444,333	-	-	444,333
Sports Program	9,334	-	-	9,334
Supported Living Services	1,542,190	-	-	1,542,190
Total program services	2,930,864	-	-	2,930,864
Supporting services:				
Management and general	302,767	-	-	302,767
Fund-raising	260,130	-	-	260,130
Total supporting services	562,897	-	-	562,897
Total expenses	3,493,761	-	-	3,493,761
CHANGE IN NET ASSETS	88,950	(109,051)	-	(20,101)
Net assets, beginning of period	415,436	506,970	30,000	952,406
Net assets, end of period	$ 504,386	$ 397,919	$ 30,000	$ 932,305

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

UNITED CEREBRAL PALSY OF GREATER NEW ORLEANS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2003

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Program service fees - Medicaid	$ 1,586,867	$ -	$ -	$ 1,586,867
Government fees and grants	600,334	-	-	600,334
United Way funding:				
Allocations	-	405,180	-	405,180
Designations	-	39,705	-	39,705
Funding for new equipment	-	55,956	-	55,956
Contract services - public	276,878	-	-	276,878
Contributions:				-
In-kind - physician services	63,515	-	-	63,515
Corporate sponsors	77,617	-	-	77,617
General public	85,057	-	20,000	105,057
Special events	134,896	-	-	134,896
Marketing revenue	13,700	-	-	13,700
Investment and other income	15,542	-	-	15,542
Investment income on funds held by Greater New Orleans Foundation:				
Interest income	247	-	-	247
Realized and unrealized gains, net	2,981	-	-	2,981
Net assets released from restrictions:				
Satisfaction of program restrictions	457,696	(457,696)	-	-
Total revenues and other support	3,315,330	43,145	20,000	3,378,475
EXPENSES				
Program services:				
Adult Program	934,440	-	-	934,440
Children's Program	506,922	-	-	506,922
Sports Program	8,829	-	-	8,829
Supported Living Services	1,389,923	-	-	1,389,923
Total program services	2,840,114	-	-	2,840,114
Supporting services:				
Management and general	443,167	-	-	443,167
Fund-raising	169,435	-	-	169,435
Total supporting services	612,602	-	-	612,602
Total expenses	3,452,716	-	-	3,452,716
CHANGE IN NET ASSETS	(137,386)	43,145	20,000	(74,241)
Net assets, beginning of period	552,822	463,825	10,000	1,026,647
Net assets, end of period	$ 415,436	$ 506,970	$ 30,000	$ 952,406

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

UNITED CEREBRAL PALSY OF GREATER NEW ORLEANS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2004

	Program Services					Supporting Services			
	Adult Program	Children's Program	Sports Program	Supported Living Services	Subtotal	Management and General	Fund Raising	Subtotal	Total
Salaries	$ 622,025	$ 178,465	$ 7,800	$ 1,274,520	$ 2,082,810	$ 144,348	$ 104,391	$ 248,739	$ 2,331,549
Payroll Taxes	40,313	10,427	-	83,536	134,276	17,127	7,168	24,295	158,571
Employee benefits	34,636	9,144	-	91,384	135,164	23,625	4,552	28,177	163,341
Total salaries and related expenses	696,974	198,036	7,800	1,449,440	2,352,250	185,100	116,111	301,211	2,653,461
Contributed services and materials	-	59,160	-	-	59,160	-	39,077	39,077	98,237
Depreciation and amortization	14,565	3,614	43	2,304	20,526	13,928	4,094	18,022	38,548
Equipment repairs and maintenance	1,307	1,737	-	1,255	4,299	1,730	2,349	4,079	8,378
Interest expense	-	-	-	-	-	1,639	-	1,639	1,639
Marketing expense	-	-	-	-	-	-	7,244	7,244	7,244
Meetings and conferences	871	383	-	1,096	2,350	17,649	2,109	19,758	22,108
Membership dues & national sharing	76	-	-	-	76	471	33,727	34,198	34,274
Miscellaneous expense	837	1,055	1,491	7,035	10,418	8,084	16,388	24,472	34,890
Occupancy	28,502	46,848	-	41,276	116,626	25,613	19,597	45,210	161,836
Postage and shipping	816	972	-	1,115	2,903	2,741	1,680	4,421	7,324
Printing and publications	482	1,533	-	8,164	10,179	1,744	3,369	5,113	15,292
Professional fees	15,005	98,849	-	8,670	122,524	11,880	3,432	15,312	137,836
Stipends	253	14,800	-	942	15,995	-	-	-	15,995
Supplies	69,001	11,703	-	6,063	86,767	14,777	8,043	22,820	109,587
Telephone	7,918	4,877	-	9,939	22,734	6,761	2,092	8,853	31,587
Travel and transportation	98,400	766	-	4,891	104,057	10,650	818	11,468	115,525
Total expenses	$ 935,007	$ 444,333	$ 9,334	$ 1,542,190	$ 2,930,864	$ 302,767	$ 260,130	$ 562,897	$ 3,493,761

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

UNITED CEREBRAL PALSY OF GREATER NEW ORLEANS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2003

	Program Services					Supporting Services			
	Adult Program	Children's Program	Sports Program	Supported Living Services	Subtotal	Management and General	Fund Raising	Subtotal	Total
Salaries	$ 619,358	$ 235,544	$ 7,800	$ 940,887	$ 1,803,589	$ 224,479	$ 48,500	$ 272,979	$ 2,076,568
Payroll Taxes	42,793	15,822	-	68,139	126,754	25,113	3,552	28,665	155,419
Employee benefits	49,473	21,200	-	119,034	189,707	36,953	7,174	44,127	233,834
Total salaries and related expenses	711,624	272,566	7,800	1,128,060	2,120,050	286,545	59,226	345,771	2,465,821
Bad debt expense	11,898	-	-	16,127	28,025	-	-	-	28,025
Contributed services and materials	-	63,515	-	-	63,515	-	63,262	63,262	126,777
Depreciation and amortization	19,512	3,763	72	4,777	28,124	18,008	-	18,008	46,132
Equipment repairs and maintenance	1,636	2,811	308	2,037	6,792	3,308	-	3,308	10,100
Interest expense	-	-	-	-	-	57	-	57	57
Marketing expense	-	-	-	-	-	27,602	-	27,602	27,602
Medicaid sanction	-	1,729	-	174,870	176,599	-	-	-	176,599
Meetings and conferences	316	2,648	-	1,340	4,304	12,574	-	12,574	16,878
Membership dues & national sharing	54	-	-	-	54	746	27,996	28,742	28,796
Miscellaneous expense	2,283	9,655	523	1,405	13,866	5,332	-	5,332	19,198
Occupancy	24,278	40,225	-	31,977	96,480	40,179	-	40,179	136,659
Postage and shipping	699	1,555	-	817	3,071	4,835	-	4,835	7,906
Printing and publications	723	811	-	748	2,282	1,493	-	1,493	3,775
Professional fees	4,396	74,837	-	7,622	86,855	15,225	-	15,225	102,080
Stipends	-	16,040	-	3,778	19,818	-	-	-	19,818
Supplies	75,591	5,390	99	5,500	86,580	12,597	18,951	31,548	118,128
Telephone	8,058	3,062	-	2,216	13,336	5,882	-	5,882	19,218
Travel and transportation	73,372	8,315	27	8,649	90,363	8,784	-	8,784	99,147
Total expenses	$ 934,440	$ 506,922	$ 8,829	$ 1,389,923	$ 2,840,114	$ 443,167	$ 169,435	$ 612,602	$ 3,452,716

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

UNITED CEREBRAL PALSY OF GREATER NEW ORLEANS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (20,101)	$ (74,241)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	38,548	46,132
Changes in assets and liabilities:		
Contract fees and grants receivable	(63,109)	68,973
Unconditional promises to give	46,761	(40,353)
Other receivables	4,592	(2,573)
Other assets	(30,328)	(4,550)
Accounts payable	48,078	1,602
Accrued payroll and benefits	43,152	2,328
Due to State of Louisiana - Medicaid	(57,455)	60,913
Deferred revenue	-	(14,724)
Contributions restricted for endowment purposes	-	(20,000)
Net cash provided by operating activities	10,138	23,507
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(16,794)	(52,346)
Proceeds from the sale of investments	-	18,441
Purchases of equipment	(43,819)	(24,122)
Net cash used in investing activities	(60,613)	(58,027)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings under line-of-credit	80,519	18,000
Payments on note payable	(9,498)	(9,498)
Collections of endowment support	-	20,000
Net cash provided by financing activities	71,021	28,502
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,546	(6,018)
Cash and cash equivalents, beginning of year	27,595	33,613
Cash and cash equivalents, end of year	$ 48,141	$ 27,595

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCCOUNTING POLICIES

Organization

United Cerebral Palsy of Greater New Orleans, Inc. (UCP) is a nonprofit organization formed in 1950 which provides programs and services in several southeastern Louisiana parishes to advance the independence, productivity, and full citizenship of people with cerebral palsy and other disabilities and thereby to improve the quality of life for them and their families. UCP provides pediatric outpatient treatment, early intervention, and special instruction from birth to age twenty-one through its Soboloff Children's Services; job placement and support for adults with disabilities in the Adult Program; personal/respite care services and independent living assistance in the home through its Supported Living Services; and training in athletic development through its Development Sports Program.

Financial Statement 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, UCP 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 accompanying financial statements are prepared on the accrual basis of accounting. Support and revenues are recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, UCP considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents, except for money market funds held at an investment brokerage company, which are reported as investments. During fiscal year 2004, UCP purchased two transportation vehicles utilizing funding from the $55,956 unconditional promise to give from the State of Louisiana – Department of Transportation and Development (LDOT) as recognized in the fiscal year 2003 financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCCOUNTING POLICIES (cont'd)

Bad Debts

UCP uses the allowance method to account for uncollectible receivables. Receivables are charged against the allowance when deemed to be uncollectible. The allowance is based on management's estimate of possible uncollectible receivables. Contract receivables are shown net of the allowance for doubtful accounts of $19,781 and $22,291 at June 30, 2004 and 2003, respectfully.

Promises to Give/Contributions

Unconditional promises to give are recognized as contributions when the promise is made. UCP receives an unconditional promise to give from United Way each year for funding for the subsequent year. In addition, during fiscal year 2003, the State of Louisiana – Department of Transportation and Development promised UCP funding for transportation vehicles as part of the FTA Elderly and Disabled Section 5310 funding. Promises to give are recognized as assets and revenues in the accompanying financial statements.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Contributions restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are 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.

Investments

Investments are comprised of certificates of deposit with a local bank, and a money market account and other equity securities maintained at an investment brokerage company. Investments are stated at fair market value using quoted market prices for equity securities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCCOUNTING POLICIES (cont'd)

Equipment and Leasehold Improvements

Equipment and leasehold improvements are recorded at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives of the assets (five to ten years). Leasehold improvements are amortized over the shorter of the life of the lease or the estimated life of the improvement. The costs of renewals and betterments are capitalized and ordinary maintenance and repair costs are expensed as incurred. The cost and accumulated depreciation applicable to assets retired or sold are removed from the respective accounts and gains or losses thereon are included in the statement of activities. Depreciation and amortization expense for the years ended June 30, 2004 and 2003 was $38,548 and $46,132, respectively.

Compensated Absences

Full-time staff employees are entitled to paid vacations after one full year of employment. Vacations must be taken within the twelve months following the anniversary date of employment. Vacation time not used by this time will be forfeited and cannot be accrued from year to year except with written approval and in no case more than two weeks can accrue. Employees will be paid for unused vacation leave only upon termination and only for one year's accumulation. The total amount of accrued accumulated vacation leave at June 30, 2004 and 2003 was $24,150 and $23,815, respectively.

Sick leave accrues at one day for each month worked. An employee may accumulate sick leave not to exceed six months of leave. In no instance shall salary be paid in lieu of sick days unused, nor shall any employee receive wages for sick leave at termination.

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support, unless the donor has restricted the donated asset to a specific purpose or for use for a specified period of time. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support.

Absent donor stipulations regarding how long those donated assets must be maintained, UCP reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. UCP reclassifies temporarily restricted net assets to unrestricted net assets at that time. If the donor has stipulated a time restriction, the expiration of this restriction is reported as the related asset is depreciated.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCCOUNTING POLICIES (cont'd)

Donated Services and Materials

A number of physicians have made significant contributions of their time, primarily for the Children's program's clinical services. The value of this contributed time and the corresponding expenses for the years ended June 30, 2004 and 2003 was approximately $59,160 and $63,515, respectively, and is reflected in these financial statements as contributions in-kind and contributed service and materials. Clinic appointment schedules and average physician rates are used in valuing and recording these donated services.

Included in special events revenue was contributed goods and services related to the functions of $39,077 and $63,262 for the years ended June 30, 2004 and 2003, respectively.

Functional Expenses

The costs of providing various services and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expense in accordance with cost reporting regulations of the Louisiana Department of Social Services. Accordingly, certain costs have been allocated among the services and activities benefited.

Concentrations

UCP derives a substantial part of its support from United Way. Also, a significant portion of revenue and receivables relate to government grants. Grants require the fulfillment of certain conditions as set forth in the grant instrument. By accepting the grants and their terms, UCP has agreed to the conditions of the grantors. UCP intends to fulfill the conditions of all grants, recognizing that failure to fulfill the conditions could result in the return of the funds to grantors.

In addition, UCP has a concentration of risk by maintaining several bank accounts at a local bank. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000. Cash at this institution, including certificates of deposits classified as investments, exceeded Federally insured limits by approximately $324,000 and $205,000 as of June 30, 2004 and 2003, respectively.

Income Taxes

UCP is a non-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provisions for income taxes have been made.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCCOUNTING POLICIES (cont'd)

Use of Estimates

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

NOTE 2 – INVESTMENTS

Investments at June 30, 2004 and 2003 were as follows:

	2004	2003
Certificates of deposit	$288,252	$280,652
Money market account and other equity securities	15,422	11,108
Totals	$303,674	$291,760

NOTE 3 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are restricted by donors for specific purposes or for use in subsequent periods. At June 30, 2004, temporarily restricted net assets included unconditional promises to give from the United Way of $395,332 and cash in the Sports Program of $2,587. At June 30, 2003, temporarily restricted net assets included unconditional promises to give from the United Way of $444,885 and LDOT of $55,956 and cash in the Sports Program of $6,129.

Permanently restricted net assets are assets comprised of amounts received from donors with stipulations that the principal be maintained in perpetuity. Investment income will be used to support the Spasticity Clinic. In 2003, UCP established an endowment fund through the Greater New Orleans Foundation for this purpose. Funds held by Greater New Orleans Foundation are invested in a pooled investment arrangement. Distributions from this fund began in fiscal year 2004 and are anticipated annually based on earnings by the fund during the year. Distributions are expected to be approximately 5% of the balance of the fund based on a twelve-quarter rolling balance fund average. Distributions received will be restricted for the Spasticity Clinic. Distributions of $1,253 were received and spent for the Spasticity Clinic during the year ended June 30, 2004.

NOTE 4 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

At June 30, 2004 and 2003, equipment and leasehold improvements consisted of the following:

	2004	2003
Transportation equipment	$245,278	$215,331
Office furniture and equipment	207,005	180,225
Leasehold improvements	39,830	36,779
	492,113	432,335
Less accumulated depreciation and amortization	348,943	350,392
Net equipment and leasehold improvements	$ 143,170	$ 81,943

NOTE 5 – NOTES PAYABLE

UCP has an interest-free note that is payable to GMAC in monthly installments of $792 through November 2004 that is secured by a transportation vehicle. The loan had principal balances outstanding of $3,918 and $13,416 as of June 30, 2004 and 2003, respectively.

UCP has a $100,000 line of credit agreement with a financial institution at an interest rate of 3.45%, maturing in May 2005. The outstanding balance was $98,519 and $18,000 at June 30, 2004 and 2003, respectively. The loan is secured by a certificate of deposit with the financial institution. The certificate of deposit, with a recorded value of approximately $102,000 at both June 30, 2004 and 2003, is included in investments in the accompanying statements of financial position.

NOTE 6 – PENSION PLAN

Effective April 1, 1998 UCP adopted a defined contribution plan (the "Plan") covering substantially all of its employees who have one year of service and are age twenty-one or older. Eligible employees may make salary deferral contributions pursuant to Section 401(k) of the Internal Revenue Code. The Plan allows discretionary matching contributions and profit-sharing contributions to be made by UCP. For the year ended June 30, 2004, there was no matching contribution paid to the Plan. For the year ended June 30, 2003, the matching contribution was $10,754 to the Plan to match 100% of employee contributions of up to 5% of their compensation. UCP suspended the 5% agency match effective December 1, 2002.

NOTE 7 – LEASE

UCP has a three-year operating lease for the rental of office and workshop space. The lease expires in February 2006 and provides for monthly payments of $5,313. UCP has a three-year renewal option. Rent expense was $68,985 and $69,541 for the years ended June 30, 2004 and 2003, respectively. The future minimum lease payments are $63,760 for fiscal year 2005 and $42,507 for fiscal year 2006.

NOTE 8 – THIRD PARTY REIMBURSEMENTS

UCP has agreements with Medicare and Medicaid fiscal intermediaries to provide home health services to qualified patients. As reflected in the accompanying financial statements, Medicare and Medicaid accounts for approximately 53% and 48% of total revenue and support for the years ended June 30, 2004 and 2003, respectively.

The Medicare intermediary for Medicare patients reimburses services rendered to Medicare program beneficiaries under an allowable cost reimbursement formula that is subject to audit and retroactive adjustments. Management does not believe that the ultimate outcome of any cost report audit will have a significant impact on UCP's financial statements.

NOTE 9 – RISK MANAGEMENT

UCP is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disaster; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the years ended June 30, 2004 and 2003.

NOTE 10 – CONTINGENCIES

Programs funded by Medicare and Medicaid fiscal intermediaries are subject to audits performed by the State of Louisiana – Department of Health and Hospitals (the State). An audit was conducted by the State for the period January 1, 2000 through July 10, 2000 as a provider history review and September 1998 to September 2000 as a scientific sample. The audit concluded that UCP billed and subsequently was paid for respite services which had undocumented progress notes in the records kept by UCP. As a result, UCP was charged a sanction of $176,599 which is to be repaid to the State. As of June 30, 2004 and 2003, UCP had an outstanding balances due to the State of $3,458 and $60,913.

UNITED CEREBRAL PALSY OF GREATER NEW ORLEANS, INC.
SCHEDULE OF INCOME AND EXPENSES BY PROGRAM
YEAR ENDED JUNE 30, 2004
(UNAUDITED)

	Program Services					Supporting Services			
	Adult Program	Children's Program	Sports Program	Supported Living Services	Subtotal	Fund-Raising and Management and General	Administrative Services Restricted	Subtotal	Total
Revenue:									
Allocation from United Way	$ 84,940	$ 273,069	$ 6,220	$ -	$ 364,229	$ -	$ -	$ -	$ 364,229
Designations from United Way	-	-	-	-	-	31,814	-	31,814	31,814
Government fees and grants	286,782	238,040	-	65,116	589,938	3,475	-	3,475	593,413
Board generated self-support	-	73,065	-	-	73,065	258,362	-	258,362	331,427
Client generated self-support	507,928	16,289	395	1,602,760	2,127,372	-	-	-	2,127,372
Other income	-	4,033	-	-	4,033	2,650	18,722	21,372	25,405
Support services allocated	94,507	88,206	15,751	116,559	315,023	(296,301)	(18,722)	(315,023)	-
revenue	-	-	-	-	-	-	-	-	-
Total revenue	974,157	692,702	22,366	1,784,435	3,473,660	-	-	-	3,473,660
Expenses:									
Total compensation	696,974	198,036	7,800	1,449,440	2,352,250	116,111	185,100	301,211	2,653,461
Occupancy and related expenses	29,809	48,585	-	42,531	120,925	21,946	27,343	49,289	170,214
Travel and meetings	99,271	1,149	-	5,987	106,407	2,927	28,299	31,226	137,633
Board generated self-support	-	59,160	-	-	59,160	55,465	-	55,465	114,625
Other direct program expenses	94,388	133,789	1,491	41,928	271,596	59,587	48,097	107,684	379,280
Allocation of support services	168,869	157,611	28,145	208,272	562,897	(260,130)	(302,767)	(562,897)	-
Total expenses before non-cash expenses	1,089,311	598,330	37,436	1,748,158	3,473,235	(4,094)	(13,928)	(18,022)	3,455,213
Subtotal	(115,154)	94,372	(15,070)	36,277	425	4,094	13,928	18,022	18,447
Non-cash expenses:									
Depreciation expense	14,565	3,614	43	2,304	20,526	4,094	13,928	18,022	38,548
Bad debt expense	-	-	-	-	-	-	-	-	-
Total non-cash expenses	14,565	3,614	43	2,304	20,526	4,094	13,928	18,022	38,548
Increase (decrease) in net assets	$ (129,719)	$ 90,758	$ (15,113)	$ 33,973	$ (20,101)	$ -	$ -	$ -	$ (20,101)

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

LEGIER & MATERNE

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
United Cerebral Palsy of Greater New Orleans, Inc.,
New Orleans, Louisiana

We have audited the financial statements of United Cerebral Palsy of Greater New Orleans, Inc. (UCP), as of and for the year ended June 30, 2004, and have issued our report thereon dated October 28, 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 UCP's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered UCP'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect UCP's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the *accompanying schedule of internal control findings.*

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we considered the reportable conditions described above to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana and various federal and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

Legier & Materne, apac

October 28, 2004

UNITED CEREBRAL PALSY OF GREATER NEW ORLEANS, INC.
SCHEDULE OF INTERNAL CONTROL FINDINGS

04-1 Condition: Several general ledger accounts related to payroll and related taxes were not properly integrated with the report writer program which generates the internal financial statements.

Criteria: When new general ledger accounts are created, they should be integrated with the report writer program so that the accounts are properly classified in the internal financial statements.

Effect: General ledger accounts not properly integrated with the report writer program are defaulted to "catch all" accounts. The balances in these general ledger default accounts are, in effect, forced into the internal financial statements through a statement of financial position (balance sheet) account. The improperly integrated accounts caused net income reflected in the income statement to be understated by approximately $70,000.

Cause: The report writer program "out of balance" warning was overridden.

Recommendation: Any "out of balance" warnings generated by the general ledger software package and related systems should be investigated and corrected before generating internal financial statements.

04-2 Condition: A detailed subsidiary ledger of accounts receivable is not maintained and reconciled to the general ledger balance on a monthly basis.

Criteria: For all balance sheet accounts (i.e. accounts receivable), subsidiary ledgers should exist listing details of the account balance which agrees or reconciles to the general ledger amount.

Effect: Audit adjustments decreasing accounts receivable general ledger balance by approximately $94,000 were required to properly reflect the supported accounts receivable detailed balance at June 30, 2004.

UNITED CEREBRAL PALSY OF GREATER NEW ORLEANS, INC.
SCHEDULE OF INTERNAL CONTROL FINDINGS

Cause: During the fiscal year ending June 30, 2004, UCP replaced its financial software system and did not fully utilize the accounts receivable subsidiary package. In addition, at approximately the same time as the software was replaced, a new controller was hired.

Recommendation: The computerized subsidiary accounts receivable program should be fully utilized. At the end of each month, the subsidiary ledger should be reconciled to the general ledger account balance from which the internal financial statements are generated.

UCP United Cerebral Palsy of Greater New Orleans

Life without limits for people with disabilities

1000 Leonidas Street
New Orleans, LA 70118
Phone: 504/865-0003
Fax: 504/865-0300
E-mail: info@ucpgno.org
Website: www.ucpgno.org

February 22, 2005

Ms. Brittni G. Robert
Engagement Administrative Assistant
Office of Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: United Cerebral Palsy of Greater New Orleans, Inc. Audit Report-FYE 6/30/04

Dear Ms. Robert:

The following is management's corrective action for the report findings on pages 18 and 19 of the above audit, which you requested through email to our independent auditor, Mr. Steve Dorazio of Legier & Materne.

04-1 Condition: Several general ledger accounts related to payroll and related taxes were not properly integrated with the report writer program, which generates the internal financial statements.

Criteria: When new general ledger accounts are created, they should be integrated with the report writer program so that the accounts are properly classified in the internal financial statements.

Effect: General ledger accounts not properly integrated with the report writer program are defaulted to "catch all" accounts. The balances in these general ledger default accounts are, in effect, forced into the internal financial statements through a statement of financial position (balance sheet) account. The improperly integrated accounts caused net income reflected in the income statement to be understated by approximately $70,000.

Cause: The report writer program "out of balance" warning was overridden.

Recommendation: Any "out of balance" warnings generated by the general ledger software package and related systems should be investigated and corrected before generating internal financial statements.

Management's Corrective Action: The Controller during this period failed to access available resources to resolve the "out of balance" warnings and used poor judgment by ignoring the warnings rather than researching and correcting the problems. The effect on the financial statements has been corrected through the posting of adjusting journal entries that were provided by the independent auditor. A more experienced and better-qualified individual who has been shown the software defaults and technical supports available has replaced the Controller responsible for these findings.

04-2 Condition: A detailed subsidiary ledger of accounts receivable is not maintained and reconciled to the general ledger balance on a monthly basis.

Criteria: For all balance sheet accounts (i.e. accounts receivable), subsidiary ledgers should exist listing details of the account balance, which agrees or reconciles to the general ledger amount.

Effect: Audit adjustments decreasing accounts receivable general ledger balance by approximately $94,000 were required to properly reflect the supported accounts receivable detailed balance at June 30, 2004.

Cause: During the fiscal year ending June 30, 2004, UCP replaced its financial software system and did not fully utilize the accounts receivable subsidiary package. In addition, at approximately the same time as the software was replaced, a new controller was hired.

Recommendation: The computerized subsidiary accounts receivable program should be fully utilized. At the end of each month, the subsidiary ledger should be reconciled to the general ledger account balance from which the internal financial statements are generated.

Management's Corrective Action: The new controller was promoted from a position where she was responsible for maintaining the accounts receivable subsidiary ledger and reconciling it to the general ledger on a monthly basis. Although she was aware of the importance and necessity of this task she failed to fully transition it under the new software, but reported that she was maintaining the data and reconciling it by hand. Management did not learn that this was not happening until the independent auditors brought it to our attention.

Management has contracted with the accounts receivable software provider to combine the data from the two software packages used during this fiscal year and reconcile the data dating from July 2003 through December 2004. They will also produce monthly subsidiary ledgers for this time period and take the necessary steps to collect outstanding balances that have been deemed valid.

The controller has been replaced by a more experienced and better-qualified individual who is working with the technical support people to generate the subsidiary ledger and interface it with the accounting software, which will eliminate the need for monthly reconciliation.

Management will also resume a quarterly review of the accounts receivable subsidiary ledger at the Board Finance Committee meetings.

Please feel free to contact Ms. Elizabeth Roden, the new Chief Financial Officer, or our President and CEO, Mr. Paul F. Bussell, should you have any questions or require further information.

Sincerely,

Janet A. Ware

Janet A. Ware
Acting Chief Financial Officer