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Financial Statements

*For the Year Ended September 30, 2003
(With Summarized Financial Information for the Year Ended September 30, 2002)*



and
Report Thereon



Reports Required in Accordance with Office of Management and Budget Circular A-133

For the Year Ended September 30, 2003



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

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Financial Statements

For the Year Ended September 30, 2003

(With Summarized Financial Information for the Year Ended September 30, 2002)



and

Report Thereon



**Reports Required in Accordance with Office of
Management and Budget Circular A-133**

For the Year Ended September 30, 2003



WOMEN IN COMMUNITY SERVICE, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Women in Community Service, Inc.

CONSULTING
ACCOUNTING
TECHNOLOGY

*Certified Public
Accountants*

We have audited the accompanying statement of financial position of Women in Community Service, Inc. (WICS) as of September 30, 2003, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of WICS's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from WICS's 2002 financial statements, which were audited by other auditors whose report dated February 26, 2003, expressed an unqualified opinion on those financial statements. As discussed in Note 11 to the financial statements, WICS has restated its 2002 financial statements during the current year to correct an error in accounting for operating lease incentives in conformity with accounting standards generally accepted in the United States of America. The other auditors reported on the 2002 financial statements before the restatement.

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. 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 WICS as of September 30, 2003, 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 December 11, 2003 on our consideration of WICS internal control over financial reporting and on 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.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

We have also audited the adjustments described in Note 11 that were applied to restate the 2002 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

Raffa, P.C.

Raffa, P.C.

Washington, DC
December 11, 2003

WOMEN IN COMMUNITY SERVICE, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2003
(With Summarized Financial Information as of September 30, 2002)

	2003	2002
ASSETS		
Current Assets		
Cash	\$ 685,070	\$ 457,701
Investments	101,290	204,596
Grants and contracts receivable	497,067	573,693
Accounts receivable	1,408	10,555
Prepaid expenses and other assets	8,779	4,565
Total Current Assets	1,293,614	1,251,110
Deposits	21,764	28,527
Property and Equipment, net	55,977	70,594
TOTAL ASSETS	\$ 1,371,355	\$ 1,350,231
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 132,594	\$ 123,994
Accrued expenses	241,706	272,637
Deferred revenue	39,008	14,149
Capital lease payable, current portion	5,401	5,400
Deferred rent and lease incentives, current portion	5,299	5,299
Total Current Liabilities	424,008	421,479
Capital lease payable, net of current portion	2,700	8,100
Deferred rent and lease incentives, net of current portion	67,791	61,268
TOTAL LIABILITIES	494,499	490,847
Commitments, Risks and Contingencies		
Net Assets		
Unrestricted	347,364	437,269
Temporarily restricted	529,492	422,115
TOTAL NET ASSETS	876,856	859,384
TOTAL LIABILITIES AND NET ASSETS	\$ 1,371,355	\$ 1,350,231

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

WOMEN IN COMMUNITY SERVICE, INC.

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2003

(With Summarized Financial Information for the Year Ended September 30, 2002)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2003 Total</u>	<u>2002 Total</u>
REVENUE AND SUPPORT				
Grants and contracts revenue	\$ 5,343,063	\$ -	\$ 5,343,063	\$ 5,770,561
Contributions	26,763	422,593	449,356	441,850
Donated goods	85,484	-	85,484	124,527
Investment income	2,793	-	2,793	2,764
Other income	1,792	-	1,792	1,669
Publication sales	1,130	-	1,130	1,696
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>315,216</u>	<u>(315,216)</u>	<u>-</u>	<u>-</u>
 TOTAL REVENUE AND SUPPORT	 <u>5,776,241</u>	 <u>107,377</u>	 <u>5,883,618</u>	 <u>6,343,067</u>
EXPENSES				
Program services	5,762,671	-	5,762,671	6,002,773
Management and general	16,897	-	16,897	20,520
Fundraising	<u>86,578</u>	<u>-</u>	<u>86,578</u>	<u>84,182</u>
 TOTAL EXPENSES	 <u>5,866,146</u>	 <u>-</u>	 <u>5,866,146</u>	 <u>6,107,475</u>
 Change in Net Assets	 (89,905)	 107,377	 17,472	 235,592
 NET ASSETS, BEGINNING OF YEAR, AS RESTATED	 <u>437,269</u>	 <u>422,115</u>	 <u>859,384</u>	 <u>623,792</u>
 NET ASSETS, END OF YEAR	 <u>\$ 347,364</u>	 <u>\$ 529,492</u>	 <u>\$ 876,856</u>	 <u>\$ 859,384</u>

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

WOMEN IN COMMUNITY SERVICE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2003

(With Summarized Financial Information for the Year Ended September 30, 2002)

	Program Services	Management and General	Fundraising	2003	2002
Salaries	\$ 2,727,488	\$ 356,817	\$ 40,096	\$ 3,124,401	\$ 3,295,306
Payroll taxes and employee benefits	1,076,798	140,871	15,830	1,233,499	1,243,642
Office rent	244,083	70,394	7,124	321,601	383,799
Consultants	116,485	120,515	5,335	242,335	273,608
Travel	213,039	9,442	302	222,783	237,260
Contract assets	111,357	-	-	111,357	20,796
Applicant recruits	103,093	-	-	103,093	152,016
Telephone	73,424	14,824	852	89,100	91,229
Equipment rental and maintenance	61,047	13,493	1,095	75,635	65,437
Supplies	53,835	11,031	521	65,387	82,438
Training	41,046	12,203	1,267	54,516	30,305
Postage	31,922	11,303	663	43,888	40,858
Promotion	19,307	17,377	-	36,684	27,579
Printing and publications	20,976	12,189	1,090	34,255	59,262
Life skills food functions	22,707	-	-	22,707	8,511
Memberships	10,015	10,143	295	20,453	28,646
Depreciation and amortization	-	15,075	-	15,075	15,114
Insurance	220	13,215	-	13,435	15,460
Volunteer recognition	10,905	-	-	10,905	12,784
Payroll processing	-	9,486	-	9,486	8,535
Miscellaneous	2,396	6,647	17	9,060	3,513
Board and committees	-	6,491	-	6,491	11,377
Expenses before overhead allocation	4,940,143	851,516	74,487	5,866,146	6,107,475
Overhead Allocation	822,528	(834,619)	12,091	-	-
Total Expenses	<u>\$ 5,762,671</u>	<u>\$ 16,897</u>	<u>\$ 86,578</u>	<u>\$ 5,866,146</u>	<u>\$ 6,107,475</u>

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

WOMEN IN COMMUNITY SERVICE, INC.

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2003

(With Summarized Financial Information for the Year Ended September 30, 2002)

Increase (Decrease) in Cash

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 17,472	\$ 235,592
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	15,075	15,114
Unrealized losses on investments	-	2,573
Changes in assets and liabilities:		
Grants and contracts receivable	76,626	225,502
Accounts receivable	9,147	5,315
Prepaid expenses and other assets	(4,214)	(2,871)
Deposits	6,763	(335)
Accounts payable	8,600	31,144
Accrued expenses	(30,931)	34,145
Deferred revenue	24,859	(150,809)
Deferred rent and lease incentives	6,523	9,900
	<u>129,920</u>	<u>405,270</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	103,306	-
Purchases of property and equipment	<u>(458)</u>	<u>(10,566)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>102,848</u>	<u>(10,566)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligation	<u>(5,399)</u>	<u>(5,400)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(5,399)</u>	<u>(5,400)</u>
NET INCREASE IN CASH	227,369	389,304
CASH, BEGINNING OF YEAR	<u>457,701</u>	<u>68,397</u>
CASH, END OF YEAR	<u>\$ 685,070</u>	<u>\$ 457,701</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Capital lease obligation for equipment	<u>\$ -</u>	<u>\$ 18,900</u>

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

WOMEN IN COMMUNITY SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2003

1. Organization and Summary of Significant Accounting Policies

Organization

Women in Community Service (WICS) is a national nonprofit corporation founded in 1964 by five national civic and religious organizations for women. WICS is dedicated to reducing the number of women and young people living in poverty by promoting self-reliance and economic independence. WICS coordinates the efforts of several thousand volunteers throughout the United States who provide mentoring and job skills and employment training to thousands of low-income women and young people each year. These activities are funded primarily through contributions from private sources and through direct and indirect grants and contracts from the federal government.

Investments

Investments are comprised of certificates of deposit and are recorded in the financial statements at cost plus accrued interest, which approximates fair value. WICS considers certificates of deposit purchased with an original maturity greater than three months to be investments.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are recorded at cost. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of 3 to 5 years, with no salvage value. Equipment purchased under capital leases is amortized on the straight-line basis over the shorter of the assets useful life or the life of the lease. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred. Expenditures for fixed assets which are purchased with federal money and may need to be returned to the grantor at the end of the grant are expensed when incurred and recorded as contract assets on the accompanying statement of functional expenses. Upon the retirement or disposal of assets, the cost and accumulated depreciation or amortization are eliminated from the respective accounts and the resulting gain or loss is included in revenue or expenses.

Classification of Net Assets

The net assets of WICS are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of WICS's operations.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors for various programs or for use in future periods.

WOMEN IN COMMUNITY SERVICE, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2003**

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition

WICS has grants and contracts from U.S. government agencies. Revenue from these grants and contracts is recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses at a provisional rate. Revenue recognized on grants for which billings have not been presented to or collected from grantors is reflected as grants and contracts receivable in the accompanying statement of financial position.

WICS reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor-imposed 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 accompanying statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as unrestricted net assets if the restrictions expire in the fiscal year in which the contribution is recognized.

Unconditional contributions and grants are reported as revenue in the year in which payments are received and/or unconditional promises are made. Revenue recognized on grants that have been committed to WICS, but have not been received, is reflected as grants and contracts receivable in the accompanying statement of financial position.

In-Kind Contributions

WICS receives a significant amount of donated materials, services, and facilities for its women and youth programs. Donated materials, services and facilities are recorded as in-kind contributions at the estimated fair value at the date of the donation. WICS's programs are also furthered through the contribution of time from unpaid volunteers. Volunteers have contributed over 150,000 hours for the year ended September 30, 2003 to WICS's program services. These services are not reflected in the accompanying statement of activities because they do not meet the necessary criteria for recognition under accounting principles generally accepted in the United States of America.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on direct costs.

WOMEN IN COMMUNITY SERVICE, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2003**

1. Organization and Summary of Significant Accounting Policies (continued)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Grants and Contracts Receivable

Grants and contracts receivable includes \$467,233 of grant and contract revenue due from federal and state government agencies. Grants and contracts receivable also includes \$29,834 due from corporations. All amounts are considered fully collectible and are due within one year.

3. Investments

Investments as of September 31, 2003 consisted a certificate of deposit recorded at cost plus accrued interest, which approximate fair value.

4. Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment are comprised of the following as of September 30, 2003:

Office furniture and equipment	\$ 44,642
Leasehold improvements	52,994
Equipment under capital lease	<u>27,003</u>
Total	124,639
Less: accumulated depreciation and amortization	<u>(68,662)</u>
Net property and equipment	<u>\$ 55,977</u>

WOMEN IN COMMUNITY SERVICE, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2003**

5. Commitments

Operating Leases

WICS leases its office space under a non-cancelable operating lease that expires May 30, 2011. Under the terms of the lease, the base rent increases annually on an incremental basis as stated in the lease. The lease provides a lease incentive to build out the space totaling \$52,994. Under accounting principles generally accepted in the United States of America (GAAP), all rental payments, including fixed rent increases, less any rental abatements, are recognized on a straight-line basis over the term of the lease. Lease incentives are amortized over the life of the lease on a straight-line basis as an offset to rent expense. The difference between the GAAP rent expense and the required lease payments is reflected as deferred rent and lease incentive in the accompanying statement of financial position. WICS also leases office space in Denver, Colorado under a non-cancelable office lease that expires on September 30, 2004.

The future minimum rental payments required under the operating leases as of September 30, 2003 are as follows:

<u>For the Year Ending</u> <u>September 30,</u>	
2004	\$ 137,020
2005	122,999
2006	126,689
2007	130,489
2008	134,404
Thereafter	<u>377,967</u>
Total	<u>\$ 1,029,568</u>

Rent expense for the year ended September 30, 2003 was \$321,601, which includes \$127,761 related to these operating leases. WICS also has several month-to-month leases for other office space throughout the United States.

6. Temporarily Restricted Net Assets

As of September 30, 2003, temporarily restricted net assets are available for the following programs as of September 30, 2003:

Women's Programs	\$ 298,885
Youth Programs	133,355
Other	<u>97,252</u>
Total	<u>\$ 529,492</u>

Continued

WOMEN IN COMMUNITY SERVICE, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2003**

7. Pension Plan

WICS maintains a noncontributory, defined contribution retirement plan that is available to all full-time employees who have attained 18 years of age and have completed one year of service that consists of 1,000 service hours at WICS or any other organization in the nonprofit health and social services field described in Section 501(c) of the Internal Revenue Code. WICS makes contributions equal to 7% of the eligible participant's annual compensation up to the maximum allowable individual contribution limit established by the Internal Revenue Service (IRS) each year. Employees are immediately vested in the employer contributions. Pension expense for the year ended September 30, 2003 totaled \$172,376 and is included in payroll taxes and employee benefits in the accompanying statement of functional expenses.

8. Risks and Contingencies

Cash

Cash is comprised of amounts in accounts at various financial institutions. While the amount at a given bank at times exceeds the amount guaranteed by the Federal Deposit Insurance Corporation (FDIC) and, therefore, bears some risk, WICS has not experienced, nor does it anticipate any loss of funds. As of September 30, 2003, the amount in excess of the FDIC limit was \$73,945.

Indirect cost

Billings under cost reimbursable government grants are calculated using provisional rates which permit recovery of indirect costs. These rates are subject to a final audit and approval by the Federal government. For the year ended September 30, 2003, the government has not audited and issued a final approval of WICS's indirect cost rate. In the opinion of management, adjustments, if any, from such an audit will not have any material effect on WICS's financial position as of September 30, 2003 or results of operations for the year then ended.

Major Grantor

WICS receives a substantial portion of its revenue from the U.S. Department of Labor for its Job Corps program. If a significant reduction in the level of this funding should occur, it may have a significant effect on WICS's programs. For the year ended September 30, 2003, WICS recognized grant and contract revenue of \$3,353,552 from this contract, which was approximately 57% of WICS's total revenue and support.

WOMEN IN COMMUNITY SERVICE, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2003**

9. Income Taxes

WICS is exempt from the payment of taxes on income other than unrelated business income under Section 501(c)(3) of the Internal Revenue Code. For the year ended September 30, 2003 no provision for income taxes was made as WICS did not have any net unrelated business income.

10. Functional Expenses

The costs of providing various programs and other activities have been allocated among the programs based on direct costs and an allocated portion of shared costs. WICS's major programs are as follows:

Youth Programs	\$ 3,490,562
Women's Programs	<u>2,272,109</u>
Total	<u>\$ 5,762,671</u>

11. Prior Period Adjustment

During the year ended September 30, 2003, WICS restated its September 30, 2001 and 2002 financial statements to correct an error in accounting for operating lease incentives. Accounting principles generally accepted in the United States of America require that operating lease incentives be amortized over the life of the lease. The effect of this adjustment on deferred rent and lease incentives and property and equipment is an increase of \$51,227 and \$51,229, respectively for the year ended September 30, 2003. As a result, the September 30, 2002 statement of financial position has been restated to report a deferred rent and lease incentive liability of \$66,567 and additional leasehold improvements of \$52,995 net of \$7,066 in accumulated amortization. This liability will be amortized as a credit to rent expense over the remaining four years of the lease. The effect of this adjustment on net assets as of September 30, 2002 and 2001 was a decrease of \$20,638 and \$5,438, respectively. The effect of this adjustment on the change in net assets for the year ended September 30, 2002 was \$20,638.

WOMEN IN COMMUNITY SERVICE, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2003**

12. Prior Year Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In addition, as discussed in footnote number 11, a prior period adjustment was made to the financial statements for the year ended September 30, 2002. Accordingly, such information should be read in conjunction with WICS's financial statements for the year ended September 30, 2002 and footnote number 11, from which the summarized information was derived.

13. Reclassifications

Certain 2002 amounts have been reclassified to conform with the 2003 presentation.



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

CONSULTING
ACCOUNTING
TECHNOLOGY

*Certified Public
Accountants*

To the Board of Directors of
Women in Community Service, Inc.

We have audited the financial statements of Women in Community Service, Inc. (WICS) as of and for the year ended September 30, 2003, and have issued our report thereon dated December 11, 2003. 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 WICS'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*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of WICS in a separate letter dated December 11, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered WICS'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 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. However, we noted certain immaterial instances of noncompliance, which we have reported to management of WICS in a separate letter dated December 11, 2003.

This report is intended solely for the information and use of the Audit Committee, the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Raffa, P.C.

Raffa, P.C.

Washington, DC
December 11, 2003



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Directors of
Women in Community Service, Inc.

CONSULTING
ACCOUNTING
TECHNOLOGY

Certified Public
Accountants

Compliance

We have audited the compliance of Women in Community Service, Inc. (WICS) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2003. WICS's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of WICS's management. Our responsibility is to express an opinion on WICS's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about WICS's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on WICS's compliance with those requirements.

As described in item 2003-1 in the accompanying schedule of findings and questioned costs, WICS did not comply with the requirements regarding level of effort which are applicable to its Hope VI program. Compliance with such requirements is necessary, in our opinion, for WICS to comply with the requirements applicable to the program.

In our opinion, except for the noncompliance described in the preceding paragraph, WICS complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

Internal Control Over Compliance

The management of WICS is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered WICS's internal control over

compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program 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 controls over compliance and its operations that we consider to be a material weaknesses.

This report is intended solely for the information of the Audit Committee, the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Raffa, P.C.

Raffa, P.C.

Washington, DC
December 11, 2003

WOMEN IN COMMUNITY SERVICE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2003

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Agency or Pass-through Grant Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF LABOR			
Pre-termination and Post-termination Support to Job Corps Enrollees	E-7402-9-00-82-30	17.259	\$ 3,240,880
Homeless Veteran's Reintegration, Training and Placement Project Program	E-9-5-2-0034	17.805	127,872
Pass-through from Private Industry Council of San Francisco, Inc. Welfare to Work Program	276H901G8	17.253	120,000
Pass-through from Goodwill Industries of Southeastern Louisiana, Inc. Case Management	N/A	17.253	36,171
Mentoring	N/A	17.253	15,300
Short-term Prevocational Services for Adults and Dislocated Workers	N/A	17.253	<u>13,136</u>
Total U.S. Department of Labor			<u>3,553,359</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass-through from the Memphis Housing Authority Hope VI	H-G-02-C-0039	14.866	441,637
Pass-through from City of Memphis, Tennessee Families First	N/A	14.218	119,687
Pass-through from Unity for the Homeless, Inc. Family Services	LA48B-10-3010	14.235	71,621
Family Services	LA48B-20-3011	14.235	<u>17,192</u>
Total U.S. Department of Housing and Urban Development			<u>650,137</u>

Continued

WOMEN IN COMMUNITY SERVICE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2003

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Agency or Pass-through Grant Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF EDUCATION			
Pass-through from Shelby County			
Lifeskills Program	CA012356	N/A	204,528
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICE			
Pass-through from the State of Louisiana			
Department of Social Services			
Family Independence Work Program	N/A	93.558	<u>97,500</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,505,524</u>

WOMEN IN COMMUNITY SERVICE, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2003

1. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. Consequently, amounts are recorded as expenditures when the obligations are incurred.

2. Reconciliation of Federal Revenue and Expenditures

Grants and contract revenue in the accompanying statement of activities includes \$728,381 of grants and contracts from nonfederal sources and \$109,158 of fixed fee revenue.

WOMEN IN COMMUNITY SERVICE, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2003**

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified Qualified
 Adverse Disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted: Yes No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unqualified Qualified
 Adverse Disclaimer

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None Reported

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Subpart B, Section 510? Yes No

Identification of Major Program(s):

CFDA #	Program Title
17.259	Pre-termination and Post-termination Support to Job Corps Enrollees
14.866	Hope VI

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

Auditee qualified as a low-risk auditee? Yes No

WOMEN IN COMMUNITY SERVICE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2003

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT

Finding No. 2003-1

U.S. Department of Housing and Urban Development; Pass-through from the Memphis Housing Authority; Hope VI; Grant Number H-G-02-C-0039; CFDA Number 14.866

Condition: WICS's grant contained several annual performance goals. As of September 30, 2003, WICS did not meet one of the performance goals required under this grant.

Criteria: The grant requires that WICS facilitate GED/ABE completion for 15 new, unduplicated case management clients.

Effect: The Association is not in compliance with one of the performance goals required under the grant agreement and therefore is not in compliance with the level of effort requirements of the OMB Circular A-133 Compliance Supplement.

Cause: Although WICS has enrolled a total of 35 adults and youth in the GED program, WICS was unable to ensure that the individuals were able to complete the GED during the timeframe of the grant agreement.

Perspective Information: As of the date of our fieldwork, of the 15 adults or youth required, a total of only 2 adults had obtained his/her GED/ABE.

Questioned Costs: None

Recommendation: We recommend that WICS establish procedures to monitor the performance goals in its grant agreement so that the grantor can be contacted in a timely manner if it is determined that any of the performance goals cannot be met.

WOMEN IN COMMUNITY SERVICE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2003

Finding No. 2003-1 (continued)

Grantee Response: Under a separate goal of the grant, WICS was required to facilitate enrollment in GED and job training courses for 20 new, unduplicated LeMoyne Gardens/College Park clients. WICS exceeded this goal by referring 7 College Park adults, 3 College Park youths, 22 LeMoyne Gardens adults, and 3 LeMoyne Gardens youths, for a total of 35 enrollments. Unfortunately, of 35 enrollments, only 1 College Park adult and 1 LeMoyne Gardens adult, for a total of 2 adults, completed their GED.

Memphis City Schools tests our clients with their Testing for Adult Basic Education (TABE). This testing consistently shows that nearly all of our clients are below the 9th grade level. These clients would need to complete the pre-GED/ABE program before they could even be enrolled in a GED program. For most of these clients, this can take up to 24 months. Since this length of time to complete pre-GED/ABE training is longer than the contract effective period, it is impossible to expect 15 GED completions within the contract effective period.

Another obstacle has been that we have had to refer clients to either Uptown Resource Center or Messick ABE for these courses. Although transportation and tuition assistance are available for clients, the fact that the training is off-site led some enrollees to discontinue attendance because of the inconvenience.

WICS brought this to the attention of the Memphis Housing Authority (MHA). At a meeting on April 2, 2004 with MHA, WICS was informed that MHA plans to coordinate an on-site GED course to make the program more convenient and attractive to participants needing a GED. WICS believes that a possible alternative to the performance goal in question in the Hope VI grant would be to set up training plans for clients who need to be placed in pre-GED courses before they can enroll in GED programs which will help to take them through the multi-year process of achieving GED completion.

On May 26, 2004, WICS was presented with a draft modification of the new contract in effect from December 2003 through December 2004 with amended performance goals that removed the number of GED completions required, as MHA agrees with WICS that GED completion goals are impossible to attain under a one-year contract.

WOMEN IN COMMUNITY SERVICE, INC.

**CORRECTIVE ACTION PLAN
FOR AUDIT FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2003**

Finding No. 2003-1

U.S. Dept. of Housing an Urban Development; Pass-through from the Memphis Housing Authority, Hope VI; Grant Number H-G-02-C-0039, CFDA #14.866

Finding: WICS did not meet one of several annual performance goals required under the grant: facilitating GED/ABE completion for 15 new, unduplicated case management clients. During the contract period, a total of only 2 clients had obtained GED/ABE completions.

Corrective Action: The above-referenced grant expired on November 30, 2003. The audit field work occurred in January, 2004. When the issue of this performance goal was raised by the auditors, the grant had been expired for nearly two months. WICS raised this issue with the Memphis Housing Authority (MHA) in late-January and early-February 2004. While MHA agreed with WICS that the GED/ABE completion goal was impossible to attain under a one-year contract because of the fact that virtually all of the clients are below the 9th grade level, requiring at least 2 years to train up to the level where they are ready to *begin* GED/ABE training, MHA policy does not allow the modification of an expired contract.

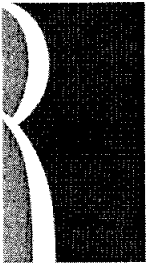
For the follow-on contract for the period December 1, 2003 through December 31, 2004, however, MHA has modified the contract to completely remove GED/ABE completion goals.

Since the goal was not met under an expired contract, and since the goal has been removed from the subsequent contract, **no corrective action is necessary on this finding.**

The auditors recommended that WICS contact the grantor in a timely manner should it be determined that any of the performance goals cannot be met to allow time for modifications prior to the expiration of the grant. WICS has acted on this recommendation and is conducting monthly meetings with MHA since March 2004 to discuss progress on performance goals.

**WICS Contact
Person:**

John Ratliff, Vice President of Operations, 703-671-0500



RAFFA

CONSULTING
ACCOUNTING
TECHNOLOGY

December 11, 2003

Ms. Jacquelyn L. Lendsey
President/CEO
Women in Community Service, Inc.
1900 N. Beauregard, Suite 103
Alexandria, VA 22311

Dear Ms. Lendsey:

In planning and performing our audit of the financial statements of Women in Community Service, Inc. (WICS) for the year ended September 30, 2003, we considered WICS's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Although our audit was not designed to provide assurance on the internal control structure, we noted certain matters involving the internal control structure and its operation and are submitting for your consideration related recommendations designed to help WICS make improvements and achieve operational efficiencies. Our comments reflect our desire to be of continuing assistance to WICS.

Interest and Late Charges

We noted several instances whereby interest and late charges were inappropriately charged to a Federal program. OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, specifically states that fines and penalties are unallowable except when incurred as a result of compliance with specific provisions of a federal award. Although these interest and late charges totaled only \$722 and therefore this issue was not considered a finding and a questioned cost for OMB purposes, we recommend that WICS establish procedures to ensure that these costs are not charged to the Federal program. We recommend that WICS establish a separate account or cost center where unallowable costs can be recorded. This will ensure that the unallowable costs are not charged through to the Federal program accidentally. Based on our discussions with management, WICS plans to reduce the amount requested in future period for the unallowable costs already requested and is creating a separate cost center for these unallowable costs.

Cash

We noted that WICS's cash balance exceeded the \$100,000 maximum insured limit established by the Federal Deposit Insurance Corporation (FDIC) by \$73,945. While WICS does not consider this an immediate risk, we recommend that WICS keep \$100,000 or less in any one financial institution at any time. Although WICS does utilize a sweep account to help minimize the risk of loss, the amount that is swept out of the account does not always reduce the bank balance below the insured limit of \$100,000. We recommend that WICS request that the bank sweep out any balance in excess of the \$100,000 insured limit.

Embracing Your Vision

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Post Dating Checks

We noted an instance where checks were post dated. We recommend that all checks be dated with the date that they are issued. If the checks are paying for services related to a future period, the expense should be recorded to prepaid expense and recognized in the month that the expense is incurred.

Executive Compensation

While reviewing the minutes of the board of director's meeting, we noted that WICS did not document the deliberation or approval of executive compensation. The Internal Revenue Code provides for a rebuttable presumption of reasonableness where certain criteria are met such as deliberations regarding the approval of compensation are documented in the board minutes and that such minutes document the use of appropriate salary surveys. Although we do not believe the compensation of any officer or employee of WICS to be "excessive," the key steps that should be taken to minimize such risk predominantly include documenting due diligence procedures. This should include annual evaluations of such employees with pre-established objectives and documenting executive salaries of similar-sized organizations usually through readily available industry compensation surveys. We recommend that the secretary of the Board or their designee take detailed minutes of the significant deliberations and decisions, including determination and approval of executive compensation at the meeting.

We appreciate the assistance extended to us by the officers and staff of WICS during our audit and trust that the comments and suggestions contained herein will be received in the spirit of cooperation with which they are offered. We are available to assist you with their implementation at your request.

Sincerely,

Raffa, P.C.

Raffa, P.C.

WOMEN IN COMMUNITY SERVICE, INC.

AUDIT FOR THE YEAR ENDED SEPTEMBER 30, 2003

MANAGEMENT RESPONSE TO FOUR ISSUES CONTAINED IN DECEMBER 11, 2003 MANAGEMENT LETTER

- FIRST ISSUE:** Several instances whereby interest and late charges were inappropriately charged to a Federal program were noted by the audit firm. Since the charges totaled only \$722, these were not considered material instances of noncompliance.
- RECOMMENDATION:** The auditor recommended the establishment of a separate account or cost center where unallowable costs can be recorded.
- RESPONSE:** WICS accounting policies and procedures explicitly forbid charging interest and late charges to any contracts or grants. The procedure depended on the Contracts Administrator to manually remove these charges from cost reimbursement invoices. The instances noted by the auditors were cases in which the Contracts Administrator failed to remove these charges from invoices, in direct violation of our accounting policies. The employee in question is no longer a WICS employee.
- CORRECTIVE ACTION:** WICS has created a separate account labeled "Contract Unallowable Expense" for the recording of ALL contract unallowable expenses. When expenses are recorded by the accounting staff during accounts payable invoice data entry, unallowable costs are recorded in the Contract Unallowable Expense account. The Contracts Administrator's duties have been expanded to include verification of the accounts payable invoice coding prior to inclusion of any costs in a cost reimbursement or other kind of invoice. This will greatly reduce the possibility that unallowable costs will be charged inappropriately to contracts or grants.

SECOND ISSUE: WICS cash balance exceeded \$100,000 maximum insured limit.

RECOMMENDATION: The auditor recommended keeping no more than \$100,000 in any one financial institution at any time. Also, recommended instructing the bank sweep out any balance in excess of the \$100,000 insured limit.

RESPONSE: The WICS Finance and Audit Committee and WICS management have weighed the minimal risk of exceeding the FDIC insurance limit against the disruption to operations and liquidity posed by using multiple banks and have concluded that to follow the auditor's recommendation will pose an unacceptable level of disruption to WICS operations. Since the \$100,000 insurance limit applies to a single financial institution, following the auditor's other recommendation by having the bank sweep out any balance in excess of \$100,000 would still keep in excess of \$100,000 in accounts held by the bank. Since the sweep account maintenance charges depend on the average daily balance and since the FDIC insurance exposure will not change by sweeping out any balance in excess of \$100,000, the Committee and WICS management will not make any changes at the current time.

CORRECTIVE ACTION: None required.

THIRD ISSUE: An instance where checks were post dated.

RECOMMENDATION: The auditor recommended that all checks be dated with the date that they are issued, recording items as prepaid expense if expenses are related to a future period.

RESPONSE: WICS accounting policies and procedures require checks to be dated on the date they are issued and not post dated. Accounts exist to record prepaid expenses and transactions can be set to recognize the expense in the appropriate future period. The instance noted by the auditors occurred during a large series of year-end transactions and was an inadvertent error.

CORRECTIVE ACTION: Accounting staff has been reminded of the policy against post dating checks and the procedure for recording prepaid expenses for future periods.

FOURTH ISSUE: No documentation of the Board's deliberation or approval of executive compensation.

RECOMMENDATION: The auditor's recommended annual salary evaluations and documenting executive salaries of similar-sized organizations through industry compensation surveys. Also, recommended that detailed minutes be taken of significant deliberations and decisions regarding executive compensation.

RESPONSE: The board does perform annual executive salary evaluations and comparison with industry executive compensation surveys. During the fiscal year being audited, the board did not take minutes of the portion of the board meetings in which executive compensation was deliberated and decided.

CORRECTIVE ACTION: The board will take detailed minutes of all future significant deliberations and decisions regarding executive compensation.