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Options for Independence, Inc.

Financial Statements
and Independent Auditor's Report
June 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.

Release Date 8-4-04

**Martin
and
Pellegrin**

*Certified Public Accountants
(A Professional Corporation)*

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Options for Independence, Inc.

Financial Statements and Independent Auditor's Report As of and for the Year Ended June 30, 2003 With Supplemental Information Schedule

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Options for Independence, Inc.
Houma, Louisiana

We have audited the accompanying statement of financial position of Options for Independence, Inc. (a nonprofit organization) as of June 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 the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Options for Independence, Inc. as of June 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 October 28, 2003 on our consideration of Options for Independence, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Board of Directors
Options for Independence, Inc.
Houma, Louisiana

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Options for Independence, Inc. taken as a whole. The accompanying Schedule of Revenue, Support, and Direct Expenses-Big Brothers/Big Sisters Program is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.

Martin and Pellegrino

October 28, 2003

FINANCIAL STATEMENTS

Options for Independence, Inc.

**Statement of Financial Position
June 30, 2003**

ASSETS

Current assets:

Cash and cash equivalents	\$	456
Program service fees receivable		245,295
Prepaid expenses		<u>2,244</u>
Total current assets		247,995

Property and equipment, less accumulated depreciation of \$70,830		59,161
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Deposits		<u>1,335</u>
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TOTAL ASSETS	\$	<u>308,491</u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Bank overdraft	\$	40,364
Lines of credit		149,260
Accounts payable		25,882
Accrued payroll and related liabilities		15,905
Capital lease payable, current portion		<u>1,865</u>
Total current liabilities		233,276

Capital lease payable, net of current maturities		<u>9,272</u>
--	--	--------------

Total liabilities		242,548
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Net assets:

Unrestricted		<u>65,943</u>
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TOTAL LIABILITIES AND NET ASSETS	\$	<u>308,491</u>
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See accompanying notes to financial statements.

Options for Independence, Inc.
Statement of Activities
For the Year Ended June 30, 2003

	<u>Unrestricted</u>
REVENUES AND OTHER SUPPORT	
Program service fees	\$ 2,003,658
Contributions	<u>6,631</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>2,010,289</u>
EXPENSES	
Program services	
Adult services	982,853
Special projects	382,726
Children's services	191,534
Employment services	165,230
Children's coalition	118,777
Big Brothers/Big Sisters	<u>105,187</u>
Total Program Services	1,946,307
Management and general	<u>55,192</u>
TOTAL EXPENSES	<u>2,001,499</u>
INCREASE IN NET ASSETS FROM OPERATIONS	8,790
OTHER CHANGES	
Loss on disposal of fixed assets	<u>(8,827)</u>
DECREASE IN NET ASSETS	(37)
NET ASSETS, BEGINNING OF PERIOD	<u>65,980</u>
NET ASSETS, END OF PERIOD	<u><u>\$ 65,943</u></u>

See accompanying notes to financial statements.

Options for Independence, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2003

PROGRAM SERVICES

	Adult Services	Special Projects	Children's Services	Employment Services	Children's Coalition	Big Brothers/Big Sisters	Management and General	Total
Salaries	\$ 740,040	\$ 92,818	\$ 131,482	\$ 130,458	\$ 28,000	\$ 54,636	\$ 19,218	\$ 1,196,652
Direct aid	12,121	259,271	28	-	-	-	390	271,810
Consultant fees	5,331	-	6,075	-	71,327	22,291	-	105,024
Payroll taxes	66,238	7,273	10,099	10,151	2,108	4,172	1,485	101,526
Travel	71,335	8,856	10,499	6,319	1,539	367	456	99,371
Insurance	20,908	3,537	10,806	5,813	2,017	2,360	2,804	48,245
Telephone	27,531	944	1,724	2,454	1,175	2,244	610	36,682
Rent	8,588	1,390	2,406	2,377	929	12,813	2,115	30,618
Supplies	9,236	5,122	2,701	1,653	2,162	1,745	949	23,568
Professional fees	14,260	1,316	3,212	2,226	428	977	376	22,795
Depreciation	-	-	-	-	-	-	16,342	16,342
Training and education	1,347	736	2,745	2,853	3,333	1,037	102	12,153
Leases	2,065	97	7,003	204	233	603	43	10,248
Miscellaneous	1,796	1,181	1,765	-	95	394	2,587	7,818
Flow through donations	-	-	-	293	5,098	737	674	6,802
Interest	-	-	-	-	-	-	5,964	5,964
Postage	1,807	171	150	129	333	811	88	3,489
Consumer activity	-	-	839	-	-	-	-	839
Bank charges	-	-	-	-	-	-	779	779
Advertising	-	-	-	300	-	-	210	510
Taxes and licenses	250	14	-	-	-	-	-	264
Total	\$ 982,853	\$ 382,726	\$ 191,534	\$ 165,230	\$ 118,777	\$ 105,187	\$ 55,192	\$ 2,001,499

See accompanying notes to financial statements.

Options for Independence, Inc.

**Statement of Cash Flows
For the Year Ended June 30, 2003**

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$ (37)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Loss on disposal of equipment	8,827
Depreciation	16,342
(Increase)/decrease in operating assets:	
Program service fees receivable	(59,011)
Prepaid expenses	6,864
Deposits	(1,200)
Increase/(decrease) in operating liabilities:	
Bank overdraft	40,364
Accounts payable	11,355
Accrued payroll and related liabilities	1,317
Insurance payable	<u>(3,349)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>21,472</u>
CASH FLOWS USED IN INVESTING ACTIVITIES	
Purchases of equipment	<u>(36,599)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Advances on line of credit	672,949
Repayments on line of credit borrowings	(672,920)
Proceeds from capital lease obligation	11,285
Principal payments on capital lease obligation	<u>(148)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>11,166</u>
NET DECREASE IN CASH	(3,961)
CASH BALANCE - BEGINNING	<u>4,417</u>
CASH BALANCE - ENDING	<u>\$ 456</u>
SUPPLEMENTAL INFORMATION:	
Cash paid during the year for interest	<u>\$ 5,964</u>

See accompanying notes to financial statements.

Options for Independence, Inc.

Notes to Financial Statements
As of and for the Year Ended June 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of the Organization – Options for Independence, Inc., a not-for-profit, voluntary health and welfare agency, focuses on providing service coordination (case management) for children and adults with disabilities, as well as employment assessment, placement, and training. The services are provided by qualified case managers who work directly with the individual and his/her family. Major programs offered by the Organization include:

Children’s Services – The Organization offers services to children with serious emotional disturbance and their families under a pilot program developed for the LA Department of Health and Hospitals, Office of Mental Health.

Adult Services – Outreach and case management services are provided to adults with serious mental illness and adults and their families who are homeless or at risk of becoming homeless.

Special Projects – The Organization provides specialized social services including a pilot program designed for the LA Department of Health and Hospitals, Office for Citizens with Developmental Disabilities and Office of Mental Health to provide personalized case management services for families receiving specialized funding supports.

Big Brothers/Big Sisters – The Organization operates an affiliate program of the National Big Brother’s Agency. This project became certified in February 2000. The program also operates an Americorps mentoring program.

Children’s Coalition – The Organization supports programs which combat the negative influences of ATOD use/abuse by encouraging and initiating community partnerships to identify risk factors and enhance protective factors.

Employment Services – The Organization provides specialized social services including:

Louisiana Rehabilitation Services – A pilot program designed to develop competitive employment outcomes to eligible clients with serious psychiatric disabilities through an Employment Recovery Team.

Micro-Enterprise Small Business Development – A pilot program designed for the LA Department of Health and Hospitals, Office of Mental Health to assist mental health consumers in starting their own businesses.

Options for Independence, Inc.

Notes to Financial Statements
As of and for the Year Ended June 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The following are the significant accounting policies of Options for Independence, Inc.:

- B. **Basis of Presentation** – The financial statements are prepared on the accrual basis in accordance with U. S. generally accepted accounting principles.
- C. **Net Assets** – Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Options for Independence, Inc. and changes therein are classified and reported as follows:
- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Options for Independence, Inc. and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by Options for Independence, Inc. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.
- D. **Bad Debts** – The financial statements of Options for Independence, Inc. contain no allowance for uncollectible receivables as management considers all such receivables to be fully collectible. Uncollectible accounts are recognized as an expense at the time information becomes available that indicates the amounts are uncollectible.
- E. **Property and Equipment** – Property and equipment is stated at cost. Depreciation is computed utilizing the declining balance method over the estimated useful lives of the assets.
- F. **Functional Allocation of Expenses** – The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
- G. **Estimates** – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Options for Independence, Inc.

Notes to Financial Statements
As of and for the Year Ended June 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- H. Cash and Cash Equivalents – For the purpose of the statement of cash flows, Options for Independence, Inc. considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.
- I. Income Taxes – Options for Independence, Inc. is a not-for-profit, voluntary health and welfare agency exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code and qualifies for the 50% charitable contributions deduction for individual donors.

NOTE 2 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of program service fees due from various departments of the State of Louisiana. Because these receivables are passed through support from the federal or state government, the Organization requires no collateral for these amounts.

NOTE 3 – FAIR VALUES OF FINANCIAL INSTRUMENTS

The Organization's financial instruments, none of which are held for trading purposes, include cash and cash equivalents. Management estimates that the fair value of all financial instruments at June 30, 2003, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

NOTE 4 – PROPERTY AND EQUIPMENT

A summary of changes in property and equipment, consisting primarily of furniture, fixtures, and office equipment, follows:

	Balance July 1, 2002	Additions	Retirements	Balance June 30, 2003
Property and equipment	\$ 153,108	\$ 36,600	\$ (59,717)	\$ 129,991
Accumulated depreciation	(105,377)	(16,343)	50,890	(70,830)
	<u>\$ 47,731</u>	<u>\$ 20,257</u>	<u>\$ (8,827)</u>	<u>\$ 59,161</u>

Options for Independence, Inc.

Notes to Financial Statements
As of and for the Year Ended June 30, 2003

NOTE 5 – PROGRAM SERVICE FEES RECEIVABLE

As of June 30, 2003, program service fees receivable consist of the following:

State of Louisiana/ Department of Health and Hospitals/ Office of Mental Health/ Children's Assertive Community Treatment Grant	\$ 43,273
East Louisiana Hospital Grant	40,985
Early Childhood Supports and Services Grant	14,427
Hurricane Recovery Grant	11,356
Children's Rehabilitation Grant	9,905
Terrebonne-Lafourche Resettlement Services Grant	9,320
Adult Rehabilitation Grant	6,500
Consumer Care Resources Grant	5,891
Micro Enterprise Grant	2,593
Children's Coalition Development Service Grant	1,780
Big Brothers/Big Sisters Grant	245
Office for Citizens with Developmental Disabilities/ Fiscal Intermediary Services Grant	12,621
Children's Assertive Community Treatment	10,594
Office of Addictive Disorders/ Louisiana Partners in Prevention Grant	19,790
Big Brothers/Big Sisters Grant	14,290
Office of Public Health/ Child Health Injury Prevention Grant	8,007
State of Louisiana/ Department of Social Services/ Children's Trust Fund/Children's Assertive Community Treatment	6,751
Louisiana Rehabilitation Services	4,093

Options for Independence, Inc.

Notes to Financial Statements
As of and for the Year Ended June 30, 2003

NOTE 5 – PROGRAM SERVICE FEES RECEIVABLE (Cont.)

State of Louisiana/ Department of Education/ Louisiana's State Improvement Grant	4,572
State of Louisiana/ Office of the Governor/ Governor's Safe and Drug Free Schools and Communities Grant	1,204
LAT Work Force Investment Board, Inc.	8,186
Gulf Coast Family Teaching Services, Inc.	7,479
Other receivables	<u>1,433</u>
	<u>\$ 245,295</u>

NOTE 6 – OPERATING LEASES

The Organization leases the space from which it operates its administrative functions from an unrelated third party. The agreement is unwritten, on a month to month basis, and requires payments of \$1,000 per month. The total expense under this agreement for the year ended June 30, 2003 is \$12,000.

The Organization leases space from which it operates its program services from an unrelated third party. This lease agreement is written on a year-to-year basis and includes payments of \$1,081 per month. The total expense under this agreement for the year ended June 30, 2003 is \$12,968.

The Organization entered into a vehicle lease on June 28, 2002. The lease is scheduled to end on June 28, 2004 and requires monthly payments of \$328. Minimum future annual lease payments for 2004 are \$3,936.

NOTE 7 – LINES OF CREDIT

The Organization has a revolving line of credit agreement with a local bank to aid in cash flow management. The agreement includes a borrowing limit of \$150,000, an interest rate of 4.75% on outstanding balances, and is secured by certain receivables. As of June 30, 2003, the Organization had an outstanding balance of \$149,230 on this line of credit. Interest paid under this agreement for the year ended June 30, 2003 totaled \$4,787.

The Organization has a second line of credit with a local bank to aid in cash flow management. The agreement includes a borrowing limit of \$50,000, accrues interest at the Wall Street Journal prime rate, and is secured by the Organization's executive director's personal certificate of deposit. As of June 30, 2003, the Organization had an

Options for Independence, Inc.

**Notes to Financial Statements
As of and for the Year Ended June 30, 2003**

NOTE 7 – LINES OF CREDIT (Cont.)

outstanding balance of \$30 on this line of credit. Interest paid under this agreement for the year ended June 30, 2003 totaled \$1,019.

NOTE 8 – CAPITAL LEASE

The Organization is engaged in a capital lease for office equipment recorded at a cost of \$11,285 and accumulated depreciation of \$269. The economic substance of the lease is that the Organization is acquiring the equipment through the lease, and the appropriate assets and liabilities have been recorded. The lease matures on June 3, 2008. The principal balance due as of June 30, 2003 is \$11,137. The minimum future principal payments under this lease are as follows:

<u>Year Ending June 30,</u>	<u>Minimum Principal Payments</u>
2004	\$ 1,865
2005	2,050
2006	2,255
2007	2,479
2008	2,488
Total	<u>\$ 11,137</u>

NOTE 9 – PROGRAM SERVICE FEES

During the year ended June 30, 2003, the Organization recognized program service fees in the form of reimbursements for actual expenses and on a unit of service basis from the following sources:

State of Louisiana/

Department of Health and Hospitals/

Office of Mental Health/

Hurricane Recovery Grant	\$ 778,542
Children's Assertive Community Treatment Grant	207,476
East Louisiana State Hospital Grant	124,694
Terrebonne-Lafourche Resettlement Services Grant	86,173
Rehabilitation Grant	66,830
Consumer Care Resources Grant	62,602

Options for Independence, Inc.

**Notes to Financial Statements
As of and for the Year Ended June 30, 2003**

NOTE 9 – PROGRAM SERVICE FEES

Early Childhood Supports and Services Grant	62,349
Adult Rehabilitation Grant	48,300
Micro Enterprise Grant	32,611
Children's Coalition Development Service Grant	29,615
Big Brothers/Big Sister Grant	8,284
Office for Citizens with Developmental Disabilities/ Children's Assertive Community Treatment	28,406
Fiscal Intermediary Services Grant	25,301
Office of Addictive Disorders/ Louisiana Partners in Prevention Grant	80,837
Big Brothers/Big Sisters Grant	63,225
State of Louisiana/ Department of Education/ Louisiana's State Improvement Grant	10,621
State of Louisiana/ Department of Social Services/ Louisiana Rehabilitation Services	64,633
Office of Public Health/ Child Health Injury Prevention Grant	40,446
Children's Trust Fund/ Children's Assertive Community Treatment	10,000
State of Louisiana/ Office of the Governor/ Governor's Safe and Drug Free Schools and Communities Grant	24,612
Gulf Coast Family Teaching Services, Inc.	73,399
LAT Workforce Investment Board, Inc.	62,580
National Big Brothers Big Sisters	5,004
Foundation for the Mid South, Inc.	5,000
United Houma Nation Vocational Rehabilitation Services	1,118
Terrebonne Parish School Board	1,000
	<u>\$2,003,658</u>

SUPPLEMENTARY INFORMATION

Options for Independence, Inc.

Schedule of Revenue, Support, and Direct Expenses -
Big Brothers/Big Sisters Program
For the Year Ended June 30, 2003

REVENUE AND SUPPORT

Program service fees	\$ 102,125
Contributions	2,054

TOTAL REVENUE AND SUPPORT	<u>104,179</u>
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DIRECT EXPENSES

Salaries	54,636
Consultant fees	22,291
Rent	12,813
Payroll taxes	4,172
Insurance	2,360
Telephone	2,244
Supplies	1,745
Training and education	1,037
Professional fees	977
Postage	811
Flow through donations	737
Leases	603
Miscellaneous	394
Travel	367

TOTAL DIRECT EXPENSES	<u>105,187</u>
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EXCESS OF DIRECT EXPENSES OVER REVENUE AND SUPPORT	<u><u>\$ (1,008)</u></u>
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SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

**Martin
and
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Options for Independence, Inc.
Houma, Louisiana

We have audited the financial statements of Options for Independence, Inc. (a nonprofit organization) as of and for the year ended June 30, 2003 and have issued our report thereon dated October 28, 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 Options for Independence, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was *not an objective of our audit and, accordingly, we do not express such an opinion*. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Options for Independence, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of

Board of Directors
Options for Independence, Inc.
Houma, Louisiana

performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Martin and College

October 28, 2003

**Martin
and
Pellegrin**

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(A Professional Corporation)*

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**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
Options for Independence, Inc.
Houma, Louisiana

Compliance

We have audited the compliance of Options for Independence, Inc. 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 its major federal program for the year ended June 30, 2003. Options for Independence, Inc.'s major federal award program is 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 its major federal program is the responsibility of Options for Independence, Inc.'s management. Our responsibility is to express an opinion on Options for Independence, Inc.'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 *Governmental 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 Options for Independence, Inc.'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 Options for Independence, Inc.'s compliance with those requirements.

In our opinion, Options for Independence, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Board of Directors
Options for Independence, Inc.
Houma, Louisiana

Internal Control Over Compliance

The management of Options for Independence, Inc. 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 Options for Independence, Inc.'s internal control over compliance with requirements that could have a direct and material effect on its 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 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 applicable requirements of laws, regulations, contracts and grants that would be material in relation to the 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 control over compliance and its operation that we consider to be material weaknesses.

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

Martin and Pellegrino

October 28, 2003

Options for Independence, Inc.

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003**

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Federal Expenditures</u>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES/</u>			
<u>Pass-through payments from the Louisiana</u>			
<u>Department of Health and Hospitals/</u>			
Federal Emergency Management Agency Crisis Counseling Grant	83.539	592486	<u>\$ 778,542 **</u>
Community Mental Health Services Block Grant	93.958	586312	107,389
		581212	100,087
		581428	56,968
		581201	<u>29,615</u>
			<u>294,059</u>
Projects for Assistance in Transition for Homeless Block Grant	93.150	590187	32,611
		581447	24,990
		581428	<u>5,634</u>
			<u>63,235</u>
Consolidated Knowledge Development and Application Program	93.230	581081	80,837
Prevention and Treatment of Substance Abuse Block Grant	93.959	584649	63,225
Temporary Assistance for Needy Families Formula Grant	93.558	590365	62,349
Maternal and Child Health Services Block Grant to the States	93.994	577387	13,873
<u>DEPARTMENT OF EDUCATION/</u>			
<u>Pass-through payments from the Louisiana</u>			
<u>Department of Education/</u>			
Special Education/State Program Improvement Grants for Children with Disabilities	84.323	592900	<u>10,621</u>
			<u>\$ 1,366,741</u>

** Denotes a major program

See accompanying notes to schedule of expenditures of federal awards.

Options for Independence, Inc.

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

NOTE 1 - SCOPE OF AUDIT PURSUANT TO THE GOVERNMENTAL AUDITING STANDARDS ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES AND OMB CIRCULAR A-133

All federal grant awards of Options for Independence, Inc. are included in the scope of the Government Auditing Standards issued by the Comptroller General of the United States and OMB Circular A-133.

NOTE 2 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Options for Independence, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Options for Independence, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Options for Independence, Inc.
2. No reportable conditions were noted during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Options for Independence, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No reportable conditions were noted during the audit of internal control over major federal award programs.
5. The auditor's report on compliance for the major federal award program for Options for Independence, Inc. expresses an unqualified opinion on the major federal program.
6. No audit findings relative to the major federal award programs were noted.
7. The program tested as a major program was the U.S. Department of Health and Human Services Federal Emergency Management Agency Crisis Counseling Grant, CFDA #83.539.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Options for Independence, Inc. did not qualify as a low-risk auditee.

Findings – Financial Statement Audit

None Reported

Findings and Questioned Costs – Major Federal Award Program Audit

None Reported

Options for Independence, Inc.

**Schedule of Prior Findings and Resolution Matters
Year Ended June 30, 2003**

Note: All prior findings relate to the June 30, 2002 audit engagement.

Section I – Internal Control and Compliance Material to the Financial Statements

This section is not applicable.

Section II – Internal Control and Compliance Material to Federal Awards

This section is not applicable.

Section III – Management Letter

This section is not applicable.