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MONROE SHELTERED WORKSHOP, INC.
MONROE, LOUISIANA

FINANCIAL STATEMENTS
AND
ACCOUNTANT'S REPORT

DECEMBER 31, 1998 AND 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 6-23-99

MONROE SHELTERED WORKSHOP, INC.
MONROE, LOUISIANA
DECEMBER 31, 1998 AND 1997

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Monroe Sheltered Workshop, Inc.
Monroe, Louisiana

We have audited the accompanying statements of financial position of Monroe Sheltered Workshop, Inc. (a nonprofit corporation) as of December 31, 1998 and 1997, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Workshop's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards 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 audits provide 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 Monroe Sheltered Workshop, Inc. as of December 31, 1998 and 1997, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 1999, on our consideration of Monroe Sheltered Workshop, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Marcus, Robinson & Hassell

Marcus, Robinson and Hassell
Monroe, Louisiana
June 12, 1999

MONROE SHELTERED WORKSHOP, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 1998 AND 1997

ASSETS

<u>CURRENT ASSETS</u>	<u>1998</u>	<u>1997</u>
Cash (Note 1)	27,444	24,943
Accounts Receivable (Note 1)	22,236	12,815
Prepaid Insurance	10,028	4,197
Grants Receivable (Note 1)	5,200	5,601
Inventory (Note 2)	<u>50,084</u>	<u>31,724</u>
 <u>TOTAL CURRENT ASSETS</u>	 114,992	 79,280
 <u>FIXED ASSETS, net</u> (Notes 1 and 3)	 <u>33,200</u>	 <u>20,183</u>
 <u>TOTAL ASSETS</u>	 <u>148,192</u>	 <u>99,463</u>
 <u>LIABILITIES AND NET ASSETS</u>		
 <u>CURRENT LIABILITIES</u>		
Accounts Payable	29,484	19,601
Accrued Payroll Taxes	3,969	3,792
Current Maturities (Notes 5 & 7)	<u>8,885</u>	<u>15,000</u>
 <u>TOTAL CURRENT LIABILITIES</u>	 42,338	 38,393
 <u>LONG-TERM DEBT</u> (Notes 5 & 7)	 <u>23,743</u>	 <u>0</u>
 <u>TOTAL LIABILITIES</u>	 66,081	 38,393
 <u>NET ASSETS</u>		
Unrestricted:		
Operating	48,911	40,887
Fixed Assets	<u>33,200</u>	<u>20,183</u>
 <u>TOTAL NET ASSETS</u>	 <u>82,111</u>	 <u>61,070</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 <u>148,192</u>	 <u>99,463</u>

See Notes to Financial Statements

MONROE SHELTERED WORKSHOP, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
<u>PUBLIC SUPPORT AND REVENUE</u>		
Sales (Note 3)	342,518	261,050
Cost of Sales (Note 3)	<u>233,861</u>	<u>165,339</u>
Gross Profit	108,657	95,711
Vocational Rehabilitation	8,907	9,900
Grants	34,332	50,825
Medicare Waiver	64,260	42,840
Donations	4,545	4,137
Fund Drives	4,790	3,076
Interest	0	67
Insurance Proceeds	<u>3,700</u>	<u>0</u>
<u>TOTAL PUBLIC SUPPORT AND REVENUE</u>	<u>229,191</u>	<u>206,556</u>
<u>EXPENSES</u>		
Accounting	1,395	3,096
Advertising	267	3,051
Bank Charges	160	0
Depreciation	7,989	10,239
Dues and Subscriptions	344	0
Education and Training	325	414
Equipment Rental	3,146	0
Fund Raising	3,896	2,465
Fuel	989	1,381
Insurance	5,084	21,309
Interest Expense	1,781	0
Licenses & Fees	204	153
Miscellaneous	728	1,407
Office Supplies	1,501	1,640
Public Relations	0	383
Rent (Note 6)	323	1,540
Repairs & Maintenance	13,922	15,682
Salaries	131,427	134,227
Supplies	1,001	1,537
Taxes - Payroll	20,074	15,653
Telephone	2,611	2,615
Travel	1,801	446
Utilities	<u>9,182</u>	<u>11,710</u>
<u>TOTAL EXPENSES</u>	<u>208,150</u>	<u>228,948</u>
<u>CHANGES IN NET ASSETS</u>	21,041	(22,392)
<u>NET ASSETS, Beginning of Year</u>	<u>61,070</u>	<u>83,462</u>
<u>NET ASSETS, End of Year</u>	<u>82,111</u>	<u>61,070</u>

See Notes to Financial Statements

MONROE SHELTERED WORKSHOP, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in Net Assets	21,041	(22,392)
Adjustments to Reconcile Net Decrease in Fund Balance to Net Cash Used in Operating Activities:		
Depreciation	7,989	10,239
(Increase) or Decrease in:		
Accounts Receivable	(9,421)	12,447
Prepaid Insurance	(5,831)	(4,197)
Grants Receivable	401	1,439
Inventory	(18,360)	(22,089)
Increase or (Decrease) in:		
Accounts Payable	9,883	5,147
Accrued Payroll Taxes	<u>177</u>	<u>(225)</u>
<u>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>	5,879	(19,631)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of Property and Equipment	(21,006)	<u>0</u>
<u>NET CASH USED IN INVESTING ACTIVITIES</u>	(21,006)	0
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds From Notes Payable	52,500	15,000
Payments on Notes Payable	(34,872)	(15,148)
<u>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</u>	<u>17,628</u>	<u>(148)</u>
<u>NET INCREASE (DECREASE) IN CASH</u>	2,501	(19,779)
<u>CASH, BEGINNING OF YEAR</u>	<u>24,943</u>	<u>44,722</u>
<u>CASH, END OF YEAR</u>	<u>27,444</u>	<u>24,943</u>

See Notes to Financial Statements

MONROE SHELTERED WORKSHOP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997

NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Monroe Sheltered Workshop, Inc. is a nonprofit corporation based in Monroe, Louisiana. The corporation is engaged in the manufacture and repair of various wood products including wooden pallets, crates, stakes, frames, etc. The corporation also provides certain manual services to area businesses such as sorting documentation, stuffing envelopes, examining opened mail for undetected items, etc. Employees involved in both phases of the operation are handicapped in various ways.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

FINANCIAL STATEMENT PRESENTATION

The Workshop has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Workshop 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. In addition, the Workshop is required to present a statement of cash flows. As permitted by the statement, the Workshop has discontinued its use of fund accounting.

CONTRIBUTIONS

The Workshop has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

PUBLIC SUPPORT AND REVENUE

Annual contributions are recorded when received and are generally available for unrestricted use unless specifically restricted by the donor.

Grants and other contributions are generally available for unrestricted use unless specifically restricted by the donor. Grants not received in the current period are recorded as income and as a grant receivable.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

ESTIMATES

The preparation of financial statements in conformity with 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.

CASH AND CASH EQUIVALENTS

Cash in checking and savings (if any) is considered cash and cash equivalents for the purposes of the statement of cash flows.

MONROE SHELTERED WORKSHOP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997

NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

INCOME TAXES

The Workshop is exempt from Federal and State income taxes under Section 501(c)3 of the Internal Revenue Code. Therefore, no provision for income taxes has been made in these financial statements.

DEPRECIATION AND AMORTIZATION

Fixed assets are recorded at cost when purchased or, if donated, at fair market value at date of donation. Fixed assets are being depreciated over estimated useful lives of five to fifteen years using the straight line method.

BAD DEBTS

The Workshop uses the direct write-off method of accounting for uncollectible accounts by charging such losses to operations in the period in which uncollectibility is determined. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

NOTE 2 - INVENTORIES

Inventories are stated at the lower of cost or market. The inventory, based on a physical count as of December 31, 1998 and 1997, is composed of the following:

	<u>1998</u>	<u>1997</u>
Raw Materials	31,377	15,629
Work In Process	0	814
Finished Goods	<u>18,707</u>	<u>15,281</u>
<u>TOTAL INVENTORY</u>	<u>50,084</u>	<u>31,724</u>

NOTE 3 - FIXED ASSETS

<u>ASSETS</u>	<u>1998</u>	<u>1997</u>
Building Improvements	12,117	12,117
Machinery and Equipment	68,408	61,692
Furniture and Fixtures	3,210	1,420
Autos and Trucks	<u>31,398</u>	<u>18,898</u>
	115,133	94,127
<u>ACCUMULATED DEPRECIATION</u>		
Building Improvements	10,248	10,036
Machinery and Equipment	51,319	45,572
Furniture and Fixtures	1,474	1,133
Autos and Trucks	<u>18,892</u>	<u>17,203</u>
	<u>81,933</u>	<u>73,944</u>
<u>NET FIXED ASSETS</u>	<u>33,200</u>	<u>20,183</u>

Depreciation for the year totaled \$7,989 and \$10,239 in 1998 and 1997, respectively.

MONROE SHELTERED WORKSHOP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997

NOTE 4 - SALES AND COST OF SALES

<u>SALES</u>	<u>1998</u>	<u>1997</u>
Stake Shop	110,596	110,087
Pallet Shop	163,530	96,651
Bench Shop	23,798	24,338
Pallet Recycling	22,665	22,273
Other	<u>21,929</u>	<u>7,701</u>
<u>TOTAL SALES</u>	342,518	261,050
 <u>COST OF SALES</u>		
Beginning Inventory	31,724	9,635
Purchases and Labor	<u>252,221</u>	<u>187,428</u>
	283,945	197,063
Ending Inventory	<u>50,084</u>	<u>31,724</u>
<u>TOTAL COST OF SALES</u>	<u>233,861</u>	<u>165,339</u>
<u>GROSS PROFIT</u>	<u>108,657</u>	<u>95,711</u>

NOTE 5 - NOTES PAYABLE

	<u>1998</u>	<u>1997</u>
Note Payable to Scherck Bogen, due in monthly installments of \$250. The interest rate on this loan is 9.25%. The loan is secured by board of directors guarantee.	11,500	15,000
Notes Payable to Hibernia National Bank, due in monthly installments of \$639.14, which includes interest at 9.75%. The loan is secured by inventory.	<u>21,128</u>	<u>0</u>
	32,628	15,000
Less: Current Maturities	<u>(8,885)</u>	<u>(15,000)</u>
	<u>23,743</u>	<u>0</u>

Interest expense totaled \$1,781 and 0 for the years ended December 31, 1998 and 1997, respectively.

The annual requirements of note amortization for the next five years is as follows:

1999	8,885
2000	9,486
2001	11,757
2002	<u>2,500</u>
	<u>32,628</u>

NOTE 6 - MINIMUM FUTURE LEASE PAYMENTS

Minimum future lease payments on the building as of December 31, 1998 are as follows:

1999	1,540
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MONROE SHELTERED WORKSHOP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997

NOTE 7 - RELATED PARTY TRANSACTIONS

The Workshop borrowed \$27,500 and \$15,000 from a board member in 1998 and 1997, respectively. The balance due on the loans at December 31 was \$11,500 and \$15,000 in 1998 and 1997, respectively.

NOTE 8 - DONATED SERVICES AND MATERIALS

The Workshop receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under SFAS No. 116 have not been satisfied.

NOTE 9 - COMPENSATION - BOARD OF DIRECTORS

There was no compensation paid to any member of the Board of Directors during the years 1998 and 1997.

SUPPLEMENTAL INFORMATION

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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
Monroe Sheltered Workshop, Inc.
Monroe, Louisiana

We have audited the financial statements of Monroe Sheltered Workshop, Inc. (a nonprofit organization) as of and for the years ended December 31, 1998 and 1997, and have issued our report dated June 12, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits in *Government Auditing Standards*, is issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Monroe Sheltered Workshop, 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 Monroe Sheltered Workshop, 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 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 for the information of the Board of Directors, management, and the Legislative Auditor of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Marcus, Robinson & Hassell

Marcus, Robinson and Hassell
Monroe, Louisiana
June 12, 1999

MONROE SHELTERED WORKSHOP, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 1998

<u>Pass Through Grantor Program Title</u>	<u>CFDA Number</u>	<u>Award Period</u>	<u>Expenditures</u>
Community Development Block Grant	14.228	1998	<u>28,864</u>

MONROE SHELTERED WORKSHOP, INC.
MONROE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1998

PART I - SUMMARY OF THE AUDITOR'S RESULTS

Financial Statements Audit

- i. The type of audit report issued was unqualified.
- ii. There were no reportable conditions required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States.
- iii. There were no instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statement.

Audit of Federal Awards

- iv. There were no reportable conditions required to be disclosed by OMB Circular No. A-133.
- v. The audit disclosed no audit findings which the auditor is required to report under OMB Circular No. A-133, Section 510 (a).
- vi. There were no major federal programs for the year ended December 31, 1998.
- vii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular No. A-133, Section 520 (b) was \$300,000.

PART II - Finding(s) relating to the financial statements which are required to be reported in accordance with Generally Accepted Government Auditing Standards:

NONE

See Notes to Financial Statements

MONROE SHELTERED WORKSHOP, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

<u>Year</u>	<u>Finding Number</u>	<u>Finding</u>	<u>Comments</u>
<u>(1) Audit Findings Corrected</u>			
1997	97-1	The audit was not completed within six months.	The records were made available for current year audit to be completed timely.