

Bayou Council on Alcoholism

*Financial Statements
and Independent Auditor's Report
June 30, 2004*

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

Release Date 11-24-04

Bayou Council on Alcoholism

**Financial Statements and Independent Auditor's Report
As of and for the Year Ended
June 30, 2004**

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**Martin
and
Pellegrin**

103 Ramey Road
Houma, Louisiana 70360

*Certified Public Accountants
(A Professional Corporation)*

Ph. (985) 851-3638
Fax (985) 851-3951

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bayou Council on Alcoholism
Thibodaux, Louisiana

We have audited the accompanying statement of financial position of Bayou Council on Alcoholism (a nonprofit organization) as of June 30, 2004, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our 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 Bayou Council on Alcoholism as of June 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2004, on our consideration of Bayou Council on Alcoholism'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.



October 21, 2004

FINANCIAL STATEMENTS SECTION

Bayou Council on Alcoholism

Statement of Financial Position
June 30, 2004

ASSETS

Current Assets:

Cash and cash equivalents \$ 250

Unconditional promises to give:
Governmental grants 9,202

Prepaid expenses 4,690

TOTAL CURRENT ASSETS 14,142

Property and equipment, net of accumulated depreciation
of \$20,110 39,317

TOTAL ASSETS \$ 53,459

LIABILITIES AND NET ASSETS

Liabilities:

Bank overdraft \$ 5,242

Line of credit 30,167

Accounts payable 304

TOTAL LIABILITIES 35,713

Net Assets:

Unrestricted 17,746

TOTAL LIABILITIES AND NET ASSETS \$ 53,459

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

Bayou Council on Alcoholism

Statement of Activities
Year Ended June 30, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, OTHER SUPPORT, AND RECLASSIFICATIONS			
Government grants	\$ 154,110	\$ -	\$ 154,110
United Way grant		62,169	62,169
Contributions	160	-	160
Program service fees	52,563	-	52,563
Net assets released from restrictions	<u>62,169</u>	<u>(62,169)</u>	<u>-</u>
TOTAL REVENUES, OTHER SUPPORT, AND RECLASSIFICATIONS	<u>269,002</u>	<u>-</u>	<u>269,002</u>
FUNCTIONAL EXPENSES			
Program services	264,348	-	264,348
Management and general	<u>17,564</u>	<u>-</u>	<u>17,564</u>
TOTAL FUNCTIONAL EXPENSES	<u>281,912</u>	<u>-</u>	<u>281,912</u>
OTHER CHANGES			
Loss on disposal of fixed assets	<u>(814)</u>	<u>-</u>	<u>(814)</u>
DECREASE IN NET ASSETS	(13,724)	-	(13,724)
NET ASSETS, BEGINNING OF PERIOD	<u>31,470</u>	<u>-</u>	<u>31,470</u>
NET ASSETS, END OF PERIOD	<u>\$ 17,746</u>	<u>\$ -</u>	<u>\$ 17,746</u>

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

Bayou Council on Alcoholism

Statement of Functional Expenses
Year Ended June 30, 2004

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 132,612	\$ 6,980	\$ 139,592
Contract counselors and services	42,364	2,230	44,594
Rent	13,040	686	13,726
Accounting	12,944	681	13,625
Insurance	12,394	652	13,046
Payroll taxes	10,199	537	10,736
Office supplies	7,272	383	7,655
Telephone	6,395	337	6,732
Utilities	4,517	238	4,755
Equipment rental	3,760	198	3,958
Other expenses	3,437	179	3,616
Employee benefits	2,850	150	3,000
Travel	2,742	144	2,886
Fees	2,126	112	2,238
Repairs and maintenance	2,082	110	2,192
Interest	1,854	98	1,952
Coalition award	1,416	74	1,490
Postage	1,329	70	1,399
Advertising	461	24	485
Dues and subscriptions	414	22	436
Taxes and licenses	140	7	147
	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	264,348	13,912	278,260
	<hr/>	<hr/>	<hr/>
Depreciation	-	3,652	3,652
	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 264,348</u>	<u>\$ 17,564</u>	<u>\$ 281,912</u>

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

Bayou Council on Alcoholism

Statement of Cash Flows
Year Ended June 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:	
Decrease in net assets	\$ (13,724)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation	3,652
Loss on disposal of fixed assets	814
(Increase) decrease in operating assets:	
Unconditional promises to give	7,717
Other current assets	(364)
Decrease in operating liabilities:	
Bank overdraft	(1,359)
Accounts payable	<u>(4)</u>
NET CASH USED IN OPERATING ACTIVITIES	(3,268)
CASH FLOWS USED IN INVESTING ACTIVITIES:	
Purchases of property and equipment	(699)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:	
Proceeds from line of credit, net	<u>3,967</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	-
BEGINNING CASH AND CASH EQUIVALENTS	<u>250</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 250</u></u>
SUPPLEMENTAL INFORMATION:	
Cash paid during the year for interest	<u><u>\$ 1,952</u></u>

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

Bayou Council on Alcoholism

Notes to Financial Statements
As of and For the Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF THE ORGANIZATION

Bayou Council on Alcoholism (BCOA), a not-for-profit, voluntary health and welfare agency, mission is to create a high degree of awareness in the Louisiana parishes of Terrebonne, Lafourche, St. Mary, Assumption, St. John, St. Charles, and St. James regarding the problem of alcoholism and/or drug abuse, to implement or assist in implementing programs and activities that will be instrumental in preventing and reducing the future incidence of these problems, to encourage the development of prevention programs and services especially geared to high risk youth and families, and to solicit all agencies and concerned people to work cooperatively.

B. BASIS OF PRESENTATION

The financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

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 BCOA 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 action of BCOA 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 BCOA. 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.

Bayou Council on Alcoholism

Notes to Financial Statements
As of and For the Year Ended June 30, 2004

D. BAD DEBTS

The financial statements of BCOA contain no allowance for uncollectible promises to give. Uncollectible accounts are recognized as an expense at the time information becomes available that indicates the amounts are uncollectible. While generally accepted accounting principles require that bad debts be recorded utilizing the allowance method, the difference between the two methods is immaterial to the Organization as management considers all promises to give to be fully collectible.

E. PROPERTY AND EQUIPMENT

Property and equipment is stated at cost. Depreciation is computed utilizing the straight line method over estimated useful lives of five to seven years. Property and equipment acquisitions are capitalized if the purchase price exceeds \$300 and the asset has a useful life of greater than one year.

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 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.

H. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, BCOA considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

I. INCOME TAXES

BCOA 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.

Bayou Council on Alcoholism

Notes to Financial Statements
As of and For the Year Ended June 30, 2004

J. ADVERTISING

Advertising costs are expensed as incurred and are included in functional expenses. Advertising expenses totaled \$485 during the year ended June 30, 2004.

NOTE 2 - FUNDING POLICIES

BCOA receives funding on a reimbursement for actual expense and fee for service basis from the Louisiana State Department of Health and Hospitals/Division of Alcohol and Drug Abuse as pass through agent for federal funding from the United States Department of Health and Human Services.

BCOA receives local funding from the United Way for South Louisiana. These monies are received by BCOA in monthly installments.

NOTE 3 - PROMISES TO GIVE

Unconditional promises to give consist of the following:

State of Louisiana:

Department of Health and Hospitals	\$	5,322
Department of Health and Hospitals - SYNAR		2,416
Department of Health and Hospitals-LAPIP		<u>1,464</u>
	\$	<u>9,202</u>

All unconditional promises to give are due within one year and are considered to be fully collectible by management.

Bayou Council on Alcoholism

Notes to Financial Statements
As of and For the Year Ended June 30, 2004

NOTE 4 - PROPERTY AND EQUIPMENT

A summary of changes in property and equipment follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 2004</u>
Land	\$ 33,000	\$ -	\$ -	\$ 33,000
Furniture and fixtures	<u>35,662</u>	<u>699</u>	<u>(9,934)</u>	<u>26,427</u>
	68,662	699	(9,934)	59,427
Accumulated depreciation	<u>(25,578)</u>	<u>(3,652)</u>	<u>9,120</u>	<u>(20,110)</u>
	<u>\$ 43,084</u>	<u>\$ (2,953)</u>	<u>\$ (814)</u>	<u>\$ 39,317</u>

NOTE 5 - LINE OF CREDIT

To aid in cash flow management, on April 3, 1998, the Organization entered into a revolving line of credit agreement with a local bank. This agreement, which is unsecured, includes a maximum borrowing limit of \$50,000, an interest rate of Wall Street Journal prime plus 3% (7% at June 30, 2004), and requires monthly payments of three percent of the outstanding principal balance plus accrued interest. At June 30, 2004, the Organization owed \$30,167 under this agreement.

NOTE 6 - CONCENTRATION OF CREDIT RISK

The Organization maintains one bank account which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash at this institution did not exceed federally insured limits at any point during the year ended June 30, 2004.

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of promises to give due from the State of Louisiana Department of Health and Hospitals, Lafourche Parish, City of Thibodaux, and the United Way for South Louisiana. Because these receivables are passed through support from the federal or state governments or local donors the Organization requires no collateral for these amounts.

Bayou Council on Alcoholism

Notes to Financial Statements
As of and For the Year Ended June 30, 2004

NOTE 7 - FAIR VALUES OF FINANCIAL INSTRUMENTS

The Organization's financial instruments, none of which are held for trading purposes, include cash and cash equivalents and unconditional promises to give. Management estimates that the fair value of all financial instruments at June 30, 2004 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

NOTE 8 - GOVERNMENT AND LOCAL GRANTS

During the year ended June 30, 2004, the Organization received unconditional promises to give in the form of grants from the following governmental and local grantors:

Government Grants

State of Louisiana/Department of Health and Hospitals/Division of Alcohol and Drug Abuse/Lafourche Contract Grant	\$118,567
State of Louisiana/Department of Health and Hospitals/Division of Alcohol and Drug Abuse/SYNAR	10,000
State of Louisiana/Department of Health and Hospitals/Division of Alcohol and Drug Abuse/LAPIP	16,543
Raceland Weed and Seed	7,000
Substance Abuse and Mental Health Services Administration/ Reach Out Now	1,000
City Court of Thibodaux	<u>1,000</u>
	<u>\$154,110</u>

Local Grants

United Way for South Louisiana Grant	<u>\$ 62,169</u>
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Bayou Council on Alcoholism

Notes to Financial Statements
As of and For the Year Ended June 30, 2004

NOTE 9 – OPERATING LEASE

The Organization leases the building from which it operates from an unrelated third party under an agreement dated November 22, 1996. This agreement includes monthly lease payments of \$925 until the termination at the lease in November, 2006. Rent expense incurred under this lease was \$11,100 for the year ended June 30, 2004.

Future minimum lease payments under this lease are as follows:

<u>Year Ended June 30,</u>		
2005	\$	11,100
2006		11,100
2007		4,625

Note 10 – RETIREMENT PLAN (DEFERRED CONTRIBUTION PLAN)

Effective November 1, 2000, BCOA adopted a profit-sharing plan for its employees titled the BCOA Retirement Plan. The terms of the plan allow the council to contribute up to 15% of the covered compensation for eligible participating employees. The plan's fiscal year ended June 30, 2004.

For the period July 1, 2003, through June 30, 2004, BCOA contributed \$3,000 to the retirement plan for plan participants. As of June 30, 2004, BCOA had 6 employees of which 4 were eligible participants in the plan. Employees need to meet length of service requirements to become eligible to participate and to gradually vest in employer contributions. No employee contributions are allowed. For June 30, 2004, no forfeitures from employees who terminated without fully being vested have been reallocated to remaining participants. The administration costs of the plan were \$1,075 for the fiscal year ended June 30, 2004.

SUPPLEMENTAL INFORMATION

Bayou Council on Alcoholism

Schedule of Findings and Questioned Costs As of and For the Year Ended June 30, 2004

Section I – Summary of Auditor’s Results

1. The auditor’s report expresses an unqualified opinion on the financial statements of BCOA.
2. One reportable condition (see finding 04-01) was noted during the audit of the financial statements. This reportable condition was not considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of BCOA, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. A management letter was not issued.

Section II – Financial Statement Findings

No findings material to the financial statements of BCOA were noted during the audit.

Section III – Internal Control Findings

04-01

Statement of Condition: A reportable condition in the Organization’s internal control.

Criteria: In our consideration of internal control, we noted that the size of Bayou Council on Alcoholism’s operations and its limited accounting staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

Effects of Condition: The internal control, in our judgment, could adversely affect the entity’s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Cause of Condition: The size of Bayou Council on Alcoholism and its limited accounting staff preclude an adequate segregation of duties and other features of an adequate system of internal control.

Bayou Council on Alcoholism

**Schedule of Findings and Questioned Costs
As of and For the Year Ended
June 30, 2004**

Recommendation: The Board of Directors of Bayou Council on Alcoholism should closely monitor the activities of the Organization and implement other control procedures until the agency has grown to the point where it is cost-beneficial to employ an adequate system of internal controls.

Response: The management of Bayou Council on Alcoholism agrees with this finding.

Questioned Costs: \$ -0-

Section IV – Findings and Questioned Costs – Major Federal Award Program Audit

This section is not applicable.

Bayou Council on Alcoholism

Schedule of Prior Findings and Resolution Matters As of and For the Year Ended June 30, 2004

Note: All prior findings relate to the June 30, 2003 audit engagement.

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

Inadequate Internal Control

Condition: A reportable condition in the internal control related to the lack of segregation of duties.

Recommendation: The Board of Directors of the Organization should closely monitor the day-to-day activities of the Organization and implement other control procedures until the agency has grown to the point of where it is cost beneficial to employ an adequate system of internal controls.

Planned Action: The Board of Directors will closely monitor the day-to-day activities of the Organization until it is financially feasible to employ additional staff.

Status: The Organization has implemented the recommendation; however, the lack of segregation of duties continues to exist. As such, the Board will continue to perform the recommendation.

Section II – Internal Control and Compliance Material to Federal Awards

This section is not applicable.

Section III – Management Letter

Payroll Tax Noncompliance

Condition: A bonus paid to the executive director by the Organization did not have applicable required federal and state payroll taxes withheld and remitted.

Recommendation: All employee compensation should be paid in the form of a payroll check with the proper employment taxes withheld.

Planned Action: The Organization will implement the recommendation detailed above.

Status: Resolved

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

**Martin
and
Pellegrin**

103 Ramey Road
Houma, Louisiana 70360

*Certified Public Accountants
(A Professional Corporation)*

Ph. (985) 851-3638
Fax (985) 851-3951

**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
Bayou Council on Alcoholism
Thibodaux, Louisiana

We have audited the financial statements of Bayou Council on Alcoholism as of and for the year ended June 30, 2004 and have issued our report thereon dated October 21, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Bayou Council on Alcoholism'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 Bayou Council on Alcoholism's *internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting*. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Bayou Council on Alcoholism's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Board of Directors
Bayou Council on Alcoholism

The reportable condition is described in the accompanying schedule of findings and questioned costs as item 04-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information of the Board of Directors, management, the Louisiana Legislative Auditor, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Martin A. Kelly

October 21, 2004

Bayou Council on Alcoholism

Management's Corrective Action Plan for Current Year Findings Year Ended June 30, 2004

The contact person for all corrective actions noted below is Ms. Jackie Myers, Executive Director.

SECTION 1 – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

Inadequate Internal Control

Condition: A reportable condition in the internal control related to the lack of segregation of duties.

Recommendation: The Board of Directors of the Organization should closely monitor the activities of the Organization and implement other control procedures until the agency has grown to the point of where it is cost beneficial to employ an adequate system of internal controls.

Planned Action: The Board of Directors will closely monitor the activities of the Organization until it is financially feasible to employ additional staff.

SECTION II – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

This section is not applicable.

SECTION III – MANAGEMENT LETTER

This section is not applicable.