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**ST. MARK'S COMMUNITY CENTER**  
**FINANCIAL AND COMPLIANCE AUDIT**  
**TOGETHER WITH**  
**INDEPENDENT AUDITORS' REPORT**  
**FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

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 12-1-04

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
**St. Mark's Community Center**

We have audited the accompanying statements of financial position of **St. Mark's Community Center (the Center)** as of December 31, 2003, and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of **the Center's** management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, we conducted our audits 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 audits 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.

Because of the inadequacy of accounting records for the year ended December 31, 2003, we were unable to form an opinion regarding the amounts at which some accounts as explained in NOTE 15 are recorded in the accompanying financial statements at and for the year ended December 31, 2003. We were unable to satisfy ourselves by means of other auditing procedures.

In our opinion, the 2002 financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of **the Center** as of December 31, 2002, 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.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

To the Board of Directors of  
**St. Mark's Community Center**  
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Because of the matter discussed in the third paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the 2003 financial statements.

The accompanying financial statements have been prepared assuming that **the Center** will continue as a going concern. As discussed in NOTE 16 to the financial statements, **the Center** has cash flow problems and some of its programs have been discontinued and unfunded. Those conditions raise substantial doubt about **the Center's** ability to continue as a going concern. Management's plans regarding those matters are also described in NOTE 16. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with Government Auditing Standards, we have also issued a report dated October 8, 2004 on our consideration of **St. Mark's Community Center'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. Also, that report identified reportable conditions which were considered to be material weaknesses and instances as noncompliance that were required to be reported under Government Auditing Standards, and which are identified in the accompanying Schedule of Findings and Questioned Costs as items 2003-01 through 2003-05.

  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

October 8, 2004

**ST. MARK'S COMMUNITY CENTER**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2003 AND 2002**

ASSETS

	<u>2003</u>	<u>2002</u>
Current Assets:		
Cash and cash equivalents	\$ 678	\$ 22,472
Grants receivable	69,686	180,300
Promises to give (NOTES 2 and 7)	-0-	139,682
Other assets	<u>871</u>	<u>871</u>
Total current assets	<u>71,235</u>	<u>343,325</u>
Land, premises and equipment, net (NOTES 3 AND 6)	<u>74,056</u>	<u>145,759</u>
Total assets	<u>\$145,291</u>	<u>\$489,084</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Checks drawn in excess of available bank balance	\$ 83,559	\$ 48,683
Current portion of obligation under capital lease (NOTE 6)	-0-	7,304
Accounts payable	145,705	65,571
Accrued and other liabilities	127,891	117,126
Deferred revenue	-0-	14,094
Line-of-credit (NOTE 10)	67,548	69,675
Note payable (NOTE 11)	<u>30,000</u>	<u>-0-</u>
Total current liabilities	<u>454,703</u>	<u>322,453</u>
Obligation under capital lease (NOTE 6)	<u>-0-</u>	<u>17,337</u>
Total liabilities	<u>454,703</u>	<u>339,790</u>
Commitments and Contingencies (NOTE 5)		
Net Assets:		
Unrestricted (NOTE 2)	(309,412)	9,612
Temporarily restricted (NOTES 2 and 7)	<u>-0-</u>	<u>139,682</u>
Total net assets	<u>(309,412)</u>	<u>149,294</u>
Total liabilities and net assets	<u>\$ 145,291</u>	<u>\$489,084</u>

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

**ST. MARK'S COMMUNITY CENTER**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

<u>SUPPORT AND REVENUES</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
Support:			
Grantor-Federal	\$ 423,514	\$ -0-	\$ 423,514
Grantor-State of Louisiana	459,752	-0-	459,752
Grantor-City of New Orleans	15,000	-0-	15,000
Support-Global Ministries	100,800	-0-	100,800
Support-Other	119,183	-0-	119,183
In-kind (Global Ministries) (NOTE 4)	12,500	-0-	12,500
United Way - Other	<u>1,922</u>	<u>-0-</u>	<u>1,922</u>
Total support	<u>1,132,671</u>	<u>-0-</u>	<u>1,132,671</u>
Net assets released from restriction:			
Expiration of time restriction- United Way (NOTE 8)	<u>118,887</u>	<u>(118,887)</u>	<u>-0-</u>

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

**ST. MARK'S COMMUNITY CENTER**  
**STATEMENTS OF ACTIVITIES, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
Revenues:			
Program income and fees	\$ 14,405	\$ -0-	\$ 14,405
Other income and losses	91,761	(20,795)	70,966
Contributions	35,339	-0-	35,339
Rental income	<u>7,826</u>	<u>-0-</u>	<u>7,826</u>
Total revenues	<u>149,331</u>	<u>(20,795)</u>	<u>128,536</u>
Total support and revenues	<u>1,400,889</u>	<u>(139,682)</u>	<u>1,261,207</u>
Expenses:			
Program services	1,400,966	-0-	1,400,966
Management and general	<u>318,947</u>	<u>-0-</u>	<u>318,947</u>
Total expenses	<u>1,719,913</u>	<u>-0-</u>	<u>1,719,913</u>
Decrease in net assets	(319,024)	(139,682)	(458,706)
Net assets, beginning of year	<u>9,612</u>	<u>139,682</u>	<u>149,294</u>
Net assets, end of year	<u>\$ (309,412)</u>	<u>\$ -0-</u>	<u>\$ (309,412)</u>

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



**ST. MARK'S COMMUNITY CENTER**  
**STATEMENTS OF ACTIVITIES, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

<u>SUPPORT AND REVENUES</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
Support:			
Grantor-Federal	\$ 508,248	\$ -0-	\$ 508,248
Grantor-State of Louisiana	1,369,116	-0-	1,369,116
Grantor-City of New Orleans	40,000	-0-	40,000
Support-Global Ministries	65,703	-0-	65,703
Support-Other	162,718	-0-	162,718
In-kind (Global Ministries) (NOTE 4)	12,500	-0-	12,500
United Way - Other (NOTE 8)	<u>6,515</u>	<u>-0-</u>	<u>6,515</u>
Total support	<u>2,164,800</u>	<u>-0-</u>	<u>2,164,800</u>
Net assets released from restriction:			
Expiration of time restriction- United Way (NOTE 8)	<u>142,926</u>	<u>(142,926)</u>	<u>-0-</u>

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

**ST. MARK'S COMMUNITY CENTER**  
**STATEMENTS OF ACTIVITIES, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
Revenues:			
Program income and fees	\$ 120	\$ -0-	\$ 120
Other income	47,212	-0-	47,212
Contributions	145,754	-0-	145,754
Rental income	5,615	-0-	5,615
Interest income	<u>735</u>	<u>-0-</u>	<u>735</u>
Total revenues	<u>199,436</u>	<u>-0-</u>	<u>199,436</u>
Total support and revenues	<u>2,507,162</u>	<u>(142,926)</u>	<u>2,364,236</u>
Expenses:			
Program services	2,160,888	-0-	2,160,888
Management and general	<u>349,744</u>	<u>-0-</u>	<u>349,744</u>
Total expenses	<u>2,510,632</u>	<u>-0-</u>	<u>2,510,632</u>
Decrease in net assets	(3,470)	(142,926)	(146,396)
Net assets, beginning of year	<u>13,082</u>	<u>282,608</u>	<u>295,690</u>
Net assets, end of year	<u>\$ 9,612</u>	<u>\$ 139,682</u>	<u>\$ 149,294</u>

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

**ST. MARK'S COMMUNITY CENTER**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
Cash Flows from operating activities:		
Decrease in net assets	\$(442,640)	\$(146,396)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation	40,812	109,796
(Increase) decrease in assets:		
Grants receivable	110,614	(80,883)
Other assets	-0-	(421)
Promises to give	139,682	142,926
Increase (decrease) in liabilities:		
Deferred revenue	(14,094)	14,094
Accounts payable and accrued liabilities	<u>125,775</u>	<u>16,938</u>
Net cash provided by (used in) operating activities	<u>(39,851)</u>	<u>56,054</u>
Cash flows from investing activities:		
Purchase of fixed assets	-0-	(25,270)
Sale of fixed assets	<u>27,811</u>	<u>4,565</u>
Net cash provided by (used in) investing activities	<u>27,811</u>	<u>(20,705)</u>
Cash flows from financing activities:		
Proceeds from debts	30,000	10,120
Debt repayments	<u>(42,834)</u>	<u>(52,185)</u>
Net cash used in financing activities	<u>(12,834)</u>	<u>(42,065)</u>
Net decrease in cash and cash equivalents	(21,794)	(6,716)
Cash and cash equivalents, beginning of year	<u>22,472</u>	<u>29,188</u>
Cash and cash equivalents, end of year	\$ <u>678</u>	\$ <u>22,472</u>
Supplemental Disclosures:		
Interest paid	\$ <u>8,905</u>	\$ <u>34,421</u>

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

**ST. MARK'S COMMUNITY CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**

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NOTE 1 - Background and General Data:

Background

**St. Mark's Community Center (the Center)** is a non-profit corporation organized under the laws of the State of Louisiana. **The Center** was first established in 1909 by the Women's Society of Christian Services, Board of Missions, Methodist Church, U.S.A., as part of a nation-wide movement to establish community centers in high poverty areas around the country.

**The Center's** primary purpose is to provide children, youth and adults in the community with opportunities to improve their lives through self-development. **The Center** pursues its original mission through programs offering education, child development, guidance and counseling, recreation, vocational training, and employment through grants and aid received from the National Division of the Board of Global Ministries of the United Methodist Church (the Board of Global Ministries), the State of Louisiana, the City of New Orleans, area foundations and the United Way of Greater New Orleans.

General

**The Center** administered the following activities:

- *Management and General;*
- *Youth Development (formerly known as Recreation);*
- *Angel of Peace;*
- *Carver Child Care;*
- *Jazz Project;*
- *Minor Housing Repair Program;*
- *After School For All;*

**ST. MARK'S COMMUNITY CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 1 - Background and General Data, Continued:

- Male Mentoring Program;
- Pregnancy Prevention Program; and
- Street Academy Charter School.

The following is a brief description of each program administered by **the Center**:

- Management and General

Management and General of **the Center** receives its primary funding support from the Board of Global Ministries.

Management and General resources are used to fund the operations of **the Center** that are not directly covered by specific programs or grants administered by **the Center**.

- Youth Development

The Youth Development Program, which is primarily funded by the United Way, provides wholesome, creative outlets through recreational, physical and cultural enrichment activities, and a variety of learning experiences designed for children and youth.

- Angel of Peace

The Angel of Peace Program was designed to promote local business by employing individuals who had been injured by gunfire to manufacture and market a piece of jewelry called the "Angel for Peace". The program was to serve as an economic development vehicle with long-term job creation benefits within the New Orleans metropolitan area. This program was terminated during 2003.

**ST. MARK'S COMMUNITY CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 1 - Background and General Data, Continued:

- Carver Child Care

**The Center** is contracted by the City of New Orleans to provide child care services for the students at Carver Senior High School. The students are encouraged to interact with their children during the day. **The Center** receives a donation of facility space located on the grounds of Carver Senior High School from the Orleans Parish School Board.

- Jazz Project

The Jazz Project is designed to engage high risk students who attend **the Center** and also youth from the Treme Community by building upon their interest in music.

- Minor Housing Repair Program

The Minor Housing Repair Program is a city-wide emergency home repair program for low income homeowners who are senior citizens or who have disabilities. Repairs are made at no cost to the qualified homeowner.

- After School for All

The After School for All Program provides homework assistance and after school tutoring, as well as enrichment and recreational activities as a means of reducing out-of wedlock births and increasing student academic achievement.

**ST. MARK'S COMMUNITY CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 1 - Background and General Data, Continued:

- Male Mentoring Program

The Male Mentoring Program uses group mentoring and several other program components to reinforce sexual abstinence and responsibility training received by the youth, and to give the young men the support they need to develop sufficient self-differentiation to resist peer and media pressures toward early sexual activity and fatherhood.

- Pregnancy Prevention Program

The Pregnancy Prevention Program provides teen pregnancy prevention services to a target population ranging in age from 11-19 years to reduce the number of unwed pregnant and parenting teens through the implementation of effective comprehensive community and school-based programs.

- Street Academy Charter School

The Street Academy Charter School (TSACS) is an alternative school chartered by the Board of Elementary and Secondary Education for seventh to twelfth grade students who are at risk of dropping out or expulsion. Students who attend the Street Academy Charter School are typically three to four years behind academically and have a history of behavioral problems. The school is based on the concept of multiple intelligence and utilizes an integrated arts based curriculum. This program ended June 30, 2003.

**ST. MARK'S COMMUNITY CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 2 - Summary of Significant Accounting Policies:

Principles of Accounting

The financial statements of **the Center** have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates

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

Funding

**The Center** receives its primary funding through support from the National Division of the Board of Global Ministries, the United Way, grants from Federal Government, the State of Louisiana and the City of New Orleans, program fees, and special events (primarily fund-raisers).

Land, Premises and Equipment

**The Center** follows the practice of capitalizing all property and equipment expenditures over \$500 expended on general and administrative. Depreciation is computed under the straight-line method for all depreciable assets over their respective estimated useful life.

Income Taxes

**The Center** is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the financial statements.



**ST. MARK'S COMMUNITY CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 2 - Summary of Significant Accounting Policies, Continued:

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Cash and Cash Equivalents

**The Center** considers all highly liquid investments with a maturity of three (3) months or less at the date of acquisition to be "Cash Equivalents".

Promises to Give

Contributions are recognized when the donor makes a promise to give to **the Center** that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**The Center** uses the allowance method to determine the uncollectibility of unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Contributed Equipment

Contributed equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of equipment are recorded as unrestricted support.

**ST. MARK'S COMMUNITY CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 2 - Summary of Significant Accounting Policies, Continued:

Financial Statement Presentation

The financial statements are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made," and SFAS No. 117, "Financial Statements of Not-for-Profit Organizations". SFAS No. 116 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Under SFAS No. 117, **the Center** 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 Center** is required to present a statement of cash flows. As permitted by this statement, **the Center** had discontinued its use of fund accounting and had, accordingly, reclassified its financial statements to present the required classes of net assets. At December 31, 2003 and 2002, **the Center** has no permanently restricted net assets.

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation.

Fair Values of Financial Instruments

The estimated fair values of all significant financial statement amounts have been determined by **the Center** using available market information and appropriate valuation methodologies.

**The Center** considers the carrying amounts of cash and cash equivalents, promises to give, obligations under capital lease, line of credit and notes payable to approximate fair value.

**ST. MARK'S COMMUNITY CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 3 - Land, Premises and Equipment:

At December 31, 2003 and 2002, land, premises and equipment consisted of the following:

	<u>2003</u>	<u>2002</u>
Land and building	\$ 60,769	\$ 60,769
Premises and improvements	272,157	272,157
Furniture and equipment	<u>439,067</u>	<u>544,439</u>
Sub-total	771,993	877,365
Less: accumulated depreciation	<u>(697,937)</u>	<u>(731,606)</u>
Land, premises and equipment, net	<u>\$ 74,056</u>	<u>\$ 145,759</u>

The Board of Global Ministries (Global Ministries) has donated the use of the central facility, located at 1130 North Rampart Street, to **the Center** for the purpose of pursuing its original mission. The facility is undergoing some face lifting and major renovations. This project is currently handled by **the Center** on behalf of Global Ministries. At December 31, 2003, total cost of this project is \$444,974 which includes a current year cost of \$-0-.

The liquidation of TSACS was carried out by the management of **the Center** based on official directives from BESE and the Department of Education during the year ended December 31, 2003. All furniture and equipment purchased with government funds were transferred to a local public high school.

**ST. MARK'S COMMUNITY CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 4 - In-Kind Support:

The building and grounds of the central facility used by **the Center** are covered by an insurance policy held by the General Board of Global Ministries (Global Ministries). No insurance premiums are charged to **the Center**. The amount reported in the financial statements represents related costs incurred by the Global Ministries.

NOTE 5 - Commitments and Contingencies:

**The Center** has entered into contractual arrangements with certain individuals to provide operational assistance, janitorial assistance and tutorial, self-development, and recreational assistance. Such contracts are generally for six to nine month periods.

**The Center** administers and participates in various federally funded grants as disclosed in the Schedule of Expenditures of Federal Awards.

In connection with the administration and operation of these grants, **the Center** is to expend grant funds in accordance with the program guidelines and regulations. However, should **the Center** have operated/administered these grants/programs in a manner which would be in non-compliance with the guidelines and regulations, **the Center** may be required by the funding source to repay some portion or all of the grant award.

For the years ending December 31, 2003 and 2002, eighty-four (84%) percent and eighty-nine (89%) percent, respectively of **the Center's** operating revenue was derived from grants.

**ST. MARK'S COMMUNITY CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 5 - Commitments and Contingencies, Continued:

In addition, the Internal Revenue Service (IRS) assessed penalties plus interest, aggregating \$319,275, for calendar years 1998 through 2002 against **the Center** for late filing of tax returns and untimely remission of payroll tax withholdings. **The Center** has entered into an agreement with IRS concerning the assessment and has reached an informal understanding that may fully abate the amount assessed. This agreement is contingent upon conditions that **the Center** must satisfy. However, should **the Center** be in non-compliance with the agreement, **the Center** may be required to pay the assessed amount and additional penalties.

NOTE 6 - Obligation Under Capital Lease:

**The Center** leased two photocopier machines under a capital lease expected to expire in 2006. The asset and liability under capital lease are recorded at the lower of the present value of the minimum lease payments on the fair value of the asset. Each asset is depreciated over the lower of its related lease terms or its estimated productive life. Depreciation of each asset under capital lease is included in depreciation expense. During the year ended December 31, 2003, **the Center** has entered into an agreement with the financing corporation concerning the photocopier machines and has reached an informal agreement whereby titles to the leased copiers revert back to the vendor. **The Center** has been released from all payment obligations. The outstanding balance was written-off at December 31, 2003.

NOTE 7 - Temporarily Restricted Net Assets:

At December 31, 2003 and 2002, temporarily restricted net assets consisted of the following:

<u>Description</u>	<u>2003</u>	<u>2002</u>
United Way	\$ <u>-0-</u>	<u>\$139,682</u>

**ST. MARK'S COMMUNITY CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 8 - United Way Allocations:

During the 2003 and 2002 fiscal years, total United Way Allocations received were as follows:

	<u>2003</u>	<u>2002</u>
Youth Development	\$ 61,221	\$ 56,628
Street Academy Charter School	33,613	67,226
Carver Day Care	<u>7,349</u>	<u>7,508</u>
Sub-total	102,183	131,362
Management and General Fund	<u>16,704</u>	<u>18,079</u>
Total United Way Allocations	<u>\$118,887</u>	<u>\$149,441</u>

NOTE 9 - Risk Management:

**The Center** is exposed to various risks of loss related to torts, theft, damage to and destruction of assets for which **the Center** carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 10 - Line-of-Credit:

Under the terms of a line-of-credit agreement with United Methodist Foundation of Louisiana, **the Center** may borrow up to \$160,000 at 6% interest rate through December 31, 2003. Funds from these borrowings may be used for any purpose. At December 31, 2003, the balance outstanding on the line-of-credit is \$67,548.

**ST. MARK'S COMMUNITY CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 11 - Note Payable:

Note payable to a bank at December 31, 2003, in the amount of \$30,000 bears an interest rate of 8.5% payable within a year in a lump sum payment. Subsequent to year end, the principal balance was paid in full.

NOTE 12 - Concentration of Credit Risk:

**The Center** maintains cash balances at two local banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000.

NOTE 13 - Classification of Expenditures of Federal Awards:

The financial statements of **the Center** include grant revenue received from the U.S. Department of Agriculture (DOA), U.S. Department of Health and Human Services (DHHS), U.S. Department of Justice (DOJ), U.S. Department of Education (DOE), U.S. Department of Housing and Urban Development (HUD) and U.S. Department of Labor (DOL). Related expenditures incurred for the year ended December 31, 2003 are as follows:

<u>Description</u>	<u>DOA</u>	<u>DHHS</u>	<u>DOJ</u>	<u>DOE</u>	<u>HUD</u>
Salaries	\$ 720	\$209,510	\$6,667	\$41,861	\$36,710
Payroll benefits	-0-	33,309	1,763	6,938	3,503
Professional fees	-0-	56,286	-0-	-0-	-0-
Food cost	11,791	-0-	-0-	-0-	-0-
Program cost	-0-	-0-	39	-0-	-0-
Other	<u>-0-</u>	<u>3,800</u>	<u>-0-</u>	<u>-0-</u>	<u>1,283</u>
Total	<u>\$12,511</u>	<u>\$302,905</u>	<u>\$8,430</u>	<u>\$48,799</u>	<u>\$41,496</u>

**ST. MARK'S COMMUNITY CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 14 - Grants From State of Louisiana:

The financial statements of **the Center** include grant revenue received from the Louisiana Department of Education listed as follows:

		<u>2003</u>	<u>2002</u>
Type 2 Charter School Payments	N/A	\$453,330	\$1,295,815
LEAP 21 Tutoring Program	0316-A	6,422	3,558
Education Excellence	PV000096517	-0-	746
LEAP 21 Summer Remediation	0317-A9	-0-	40,533
GEE 21 Summer Remediation	03-GE A9	-0-	5,027
State School Improvement			
Fund 9-12/Combo	03-S2-A9	<u>-0-</u>	<u>23,437</u>
Total Louisiana			
Department of Education		<u>\$459,752</u>	<u>\$1,369,116</u>

NOTE 15 - Unsupported Account Balances:

**The Center's** major operating cash account was not reconciled on a timely basis. As a result, there exists significant and unsupported reconciling differences on **the Center's** book. Accounts payable for \$145,705 and accrued and other liabilities of \$127,891 were not supported with accounting records. Most paid invoices for expense accounts were not available for verification. The accounting records did not permit any extended auditing procedures to sufficiently determine the aggregate effects of associated differences of which, in management's and auditors' opinion, would be material to the financial condition and results of operations of **the Center**.



**ST. MARK'S COMMUNITY CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 16 - Continuing Losses, Decreases in Net Assets  
and Negative Working Capital :

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplates continuation of **the Center** as a going concern. However, **the Center** has sustained decreases in net assets in recent years. At December 31, 2003, **the Center** incurred a decrease in net assets of \$442,640. Current liabilities exceed current assets by \$383,468, and total liabilities exceed total assets by \$309,412.

**The Center** has substantial operating and liquidity issues, has defaulted on its timely remission of payroll tax withholdings and has discontinued operating various income-generating programs. Additionally, **the Center** surrendered TSACS charter to the Louisiana Board of Elementary and Secondary Education (BESE) on May 14, 2003 and desisted from its charter school operations effective after June 30, 2003. BESE is currently examining **the Center's** records to determine whether or not **the Center** may be required to repay some portion or all grants awarded **the Center** during the years of the charter school's operations.

In view of these matters, there exists a substantial doubt about **the Center's** ability to continue as a going concern. Management is in the process of implementing controls and negotiations with the Board of Global Ministries of the United Methodist Church for additional support.

**SUPPLEMENTAL DATA**



Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Michael B. Bruno, CPA  
Alcide J. Tervalon, Jr., CPA  
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Paul K. Andoh, Sr., CPA

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL DATA

To the Board of Directors of  
**St. Mark's Community Center**

Our report on our audits of the basic financial statements of **St. Mark's Community Center** for the years ended December 31, 2003 and 2002, appears on Page 1. The audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole.

The information in Schedule I, Schedule of Beneficiary Statistics, which is of a non-accounting nature, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and we express no opinion on it.

The information in Schedule II, Schedule of Expenditures of Federal Awards for the year ended December 31, 2003, is presented for purposes of additional analysis as required by United States 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. The information in Schedule III, Schedule of Revenues and Expenses by Program, Schedule IV, Combining Schedule of Activities and Schedule V, Combining Schedule of Functional Expenses for the year ended December 31, 2003 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements for the year ended December 31, 2003, taken as a whole.

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

October 8, 2004

**ST. MARK'S COMMUNITY CENTER  
SCHEDULE OF BENEFICIARY STATISTICS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

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<u>PROGRAM SERVICE</u>	<u>NUMBER OF PERSONS SERVED</u>	<u>UNITS OF SERVICES PROVIDED</u>
Youth Development (include summer)	315	75,600
After School For All	75	16,013
Carver Child Care	50	9,000
Jazz Project	138	12,000
Male Mentoring/Teen Pregnancy Program	245	58,800
Street Academy Charter School	75	11,260

(1) Youth Development

The unit of service is the product of the number of participants in attendance and the services provided (i.e., swimming, volleyball, basketball, music, dance, pregnancy prevention, group sessions) multiplied by the number of times provided.

(2) After School For All

The unit of service is the product of the number of participants in attendance and the services provided (i.e. homework assistance, enrichment, recreation, and tutoring) multiplied by the number of times provided.

(3) Carver Child Care

The unit of service is the product of the number of participants in attendance multiplied by the days of care provided to the participants combined with the days of service provided to the parents in the form of counseling and seminars.

**ST. MARK'S COMMUNITY CENTER  
SCHEDULE OF BENEFICIARY STATISTICS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2003**

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(4) Angel of Peace

The unit of service is the product of the number of participants in attendance and the service provided (i.e. manufacture and marketing of Jewelry) multiplied by the number of times provided.

(5) Jazz Project

The unit of service is the product of the number of participants in attendance and the services provided multiplied by the number of hours of training provided to the participants.

(6) Male Mentoring/Teen Pregnancy Program

The unit of service is the product of the number of participants multiplied by the hours of service or training provided to the participants.

(7) Street Academy Charter School

The unit of service is the product of participants in attendance and parental activities and the services provided (i.e. physical education, english, mathematics, counseling) multiplied by the number of times provided.

NOTE: See Independent Auditors' Report on Supplemental Data.

**ST. MARK'S COMMUNITY CENTER**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

<u>FEDERAL GRANTOR/PASS- THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>CONTRACT PERIOD</u>	<u>FEDERAL EXPENDITURES</u>
U.S. Department of Agriculture: Pass-through Program From: State Department of Education- Child and Adult Care Food (Street Academy Charter School) Program Child and Adult Care Food Program - Commodities (Street Academy Charter School)	10.558	FY 2003	07/01/02-09/30/03	\$ 10,044
	10.558	FY 2003	07/01/02-09/30/03	<u>2,467</u>
Total U.S. Department of Agriculture				<u>12,511</u>

See the Accompanying Notes to this Schedule and Independent Auditors' Report on Supplemental Data.

**ST. MARK'S COMMUNITY CENTER**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

<u>FEDERAL GRANTOR/PASS- THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>CONTRACT PERIOD</u>	<u>FEDERAL EXPENDITURES</u>
U.S. Department of Health and Human Services: Pass-through Program From: State Department of Social Services-Office of Family Support-State Survey and Certification of Health Care Providers and Suppliers- Temporary Assistance for Needy Families (TANF)-Jobs - Male Mentoring Teen Pregnancy Prevention After School for All (TSACS)	93.558 93.558 93.558	CFMS#588614 #590125 #590103	09/01/02-08/31/03 10/01/02-09/30/03 10/01/02-09/30/03	\$ 49,109 53,475 <u>58,110</u>
				<u>160,694</u>

See the Accompanying Notes to this Schedule and Independent Auditors' Report on Supplemental Data.

**ST. MARK'S COMMUNITY CENTER**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

<u>FEDERAL GRANTOR/PASS- THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>CONTRACT PERIOD</u>	<u>FEDERAL EXPENDITURES</u>
U.S. Department of Health and Human Services: Pass-through Program From: State Department of Social Services Department of Education Temporary Assistance for Needy Families (TANF) After School for All (St. Mark's)	93.558 93.558	CFMS#590-514 CFMS#603406	09/15/02-08/31/03 09/15/03-08/31/04	\$ 62,464 17,944
Temporary Assistance for Needy Families (TANF) After School for All (TSACS)	93.558	Project #0336-A9	09/01/02-08/31/03	23,830
Teenage Pregnancy Prevention (Boys and Girls Mentoring)	93.558	CFMS#604073	10/01/03-08/31/04	<u>37,973</u>
				<u>142,211</u>
Total U.S. Department of Health and Human Services				<u>302,905</u>

See the Accompanying Notes to this Schedule and Independent Auditors' Report on Supplementary Data.



**ST. MARK'S COMMUNITY CENTER**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

<u>FEDERAL GRANTOR/PASS- THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>CONTRACT PERIOD</u>	<u>FEDERAL EXPENDITURES</u>
U.S. Department of Justice: Office of Justice Program Juvenile Mentoring Program (JUMP)	16.575	1999-JG-FX-0047	02/01/99-12/31/03	\$ <u>8,430</u>
U.S. Department of Housing and Urban Development: Pass-Through Program From City of New Orleans: CDBG-Title I (Carver Day Care)	14.218	CD#50-118(94)	01/01/02-12/31/03	<u>41,496</u>

See the Accompanying Notes to this Schedule and Independent Auditors' Report on Supplemental Data.

**ST. MARK'S COMMUNITY CENTER**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

<u>FEDERAL GRANTOR/PASS- THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>CONTRACT PERIOD</u>	<u>FEDERAL EXPENDITURES</u>
U.S. Department of Education: Pass-through Program From: State of Louisiana Department of Education: Title I Grants to Local Educational Agencies	84.010A	03-T1-A9	07/01/02-09/30/03	\$ 40,829
Title II - Eisenhower Professional Development State Grant	84.367A	03-50-A9	07/01/02-09/30/03	<u>7,970</u>
Total U.S. Department of Education				<u>48,799</u>
Total Expenditures of Federal Awards				<u>\$414,141</u>

See the Accompanying Notes to this Schedule and Independent Auditors' Report on Supplemental Data.

**ST. MARK'S COMMUNITY CENTER**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

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NOTE 1 - General:

The Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the **St. Mark's Community Center (the Center)**. All federal awards passed through other government agencies are included on the schedule.

NOTE 2 - Basis of Accounting:

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting which is described in NOTE 2 of **the Center's** financial statements. 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 financial statements.

NOTE 3 - Relationship to Federal Financial Reports:

Amounts reported in the Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports.

ST. MARK'S COMMUNITY CENTER  
 SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM  
 FOR THE YEAR ENDED DECEMBER 31, 2003  
 With Comparative Totals for the year Ended December 31, 2002

	YOUTH DEVELOP- MENT	CUBEY	AFTER SCHOOL FOR ALL	CARVER DAY CARE	ANGEL OF PEACE
<b>PROGRAM SUPPORT</b>					
Fees and grants	\$0	\$0	\$86,239	\$62,495	\$0
Total direct program support	0	0	86,239	62,495	0
Support and revenue	14,862	0	20,806	17,835	0
Total program support	14,862	0	107,045	80,330	0
<b>SELF GENERATING SUPPORT</b>					
Other income	100	0	0	0	
Contributions	0	0	0	0	1,000
Program service fees	0	0	0	0	0
Total self generating support	100	0	0	0	1,000
United Way Grant	61,221	0		7,349	0
Total revenues	76,183	0	107,045	87,679	1,000

See Independent Auditors' Report on Supplemental Data.

SCHEDULE III  
Page 1 of 2

JAZZ PROJECT	STREET ACADEMY CHARTER SCHOOL	CURFEW AND ASSESSMENT CENTER	TREME CORNER CAFE	MALE MENTORING/ PREGNANCY/ PREVENTION	MINOR HOUSING REPAIR	2003 TOTAL	2002 TOTAL (MEMORANDUM ONLY)
\$0	\$600,544	\$0	\$0	\$203,082	\$0	\$952,360	\$1,973,270
0	600,544	0	0	203,082	0	952,360	1,973,270
0	181,578	0	0	53,504	0	288,585	284,426
0	782,122	0	0	256,586	0	1,240,945	2,257,696
500	1,922	0	0	0	0	2,522	1631
5,250	35,339	0	0	0	0	41,589	103,973
0	13,650	0	0	0	0	13,650	0
5,750	50,911	0	0	0	0	57,761	105,604
0	33,613	0	0	0	0	102,183	131,362
5,750	866,646	0	0	256,586	0	1,400,889	2,494,662

ST. MARK'S COMMUNITY CENTER  
SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM  
FOR THE YEAR ENDED DECEMBER 31, 2003  
With Comparative Totals for the Year Ended December 31, 2002

	YOUTH DEVELOPMENT	AFTER SCHOOL FOR ALL	CARVER DAY CARE	ANGEL OF PEACE	JAZZ PROJECT	STREET ACADEMY CHARTER SCHOOL
<b>EXPENSES</b>						
<b>Compensation:</b>						
Salaries and wages	\$56,171	\$51,064	\$52,780	\$22,744	\$46,574	\$478,216
Employee benefits and payroll taxes	4,440	3,906	4,201	1,779	4,111	73,793
<b>Total compensation</b>	<b>60,611</b>	<b>54,970</b>	<b>56,981</b>	<b>24,523</b>	<b>50,685</b>	<b>552,009</b>
<b>Direct Program:</b>						
Professional fees and contract services	1,165	12,555	664	11,514	4,058	66,870
Supplies	2,293	4,473	1,154	2,270	150	17,736
Building rental expense	0	0	0	0	0	55,862
Telephone	0	0	0	0	0	9,805
Postage and shipping	0	0	0	70	0	500
Utilities	0	0	0	0	0	15,062
Printing	0	0	0	0	0	0
Equipment rental and maintenance	0	0	0	902	0	61,420
Building supplies and maintenance	0	0	0	150	0	0
Insurance expense	0	0	0	0	0	0
Program supplies	0	0	0	0	0	0
Conferences and conventions	0	0	0	0	0	0
Staff travel	130	0	0	0	0	659
Program travel	0	0	0	0	0	0
Other	640	552	1,500	48	167	18,051
Depreciation	0	0	0	0	0	5,382
Provider stipends	0	0	0	0	0	0
Food cost	0	0	0	0	0	9,324
Special events	0	0	0	0	0	0
Interest	0	0	0	0	0	2,711
Staff development	0	0	700	0	0	0
Other program expense	2,155	7,858	248	175	1,318	0
In-kind	0	0	0	0	0	5,187
Advertisement	0	0	0	0	0	461
<b>Total direct program expenses</b>	<b>6,383</b>	<b>25,438</b>	<b>4,266</b>	<b>15,129</b>	<b>5,693</b>	<b>269,030</b>
<b>Total compensation and direct program expenses</b>	<b>66,994</b>	<b>80,408</b>	<b>61,247</b>	<b>39,652</b>	<b>56,378</b>	<b>821,039</b>
<b>Support service expense</b>	<b>15,434</b>	<b>18,525</b>	<b>14,110</b>	<b>9,020</b>	<b>12,989</b>	<b>185,455</b>
<b>Total expenses</b>	<b>82,428</b>	<b>98,933</b>	<b>75,357</b>	<b>48,672</b>	<b>69,367</b>	<b>1,006,494</b>
<b>Excess (deficiency)</b>	<b>(\$21,107)</b>	<b>(\$12,694)</b>	<b>(\$5,513)</b>	<b>(\$47,672)</b>	<b>(\$63,617)</b>	<b>(\$321,426)</b>
<b>Units of services (Schedule 1)</b>	<b>75,600</b>	<b>16,013</b>	<b>9,000</b>	<b>0</b>	<b>12,000</b>	<b>11,200</b>
<b>Unit cost</b>	<b>\$1.09</b>	<b>\$6.18</b>	<b>\$8.37</b>	<b>\$0.00</b>	<b>\$5.78</b>	<b>\$89.87</b>

See Independent Auditors' Report on Supplemental Data.

CURFEW AND ASSESSMENT CENTER	TREME CORNER CAFÉ	MALE MENTORING/ PREGNANCY PREVENTION PROGRAM	MINOR HOUSING REPAIR PROGRAM	2003 TOTAL	2002 TOTAL (MEMORANDUM ONLY)
\$0	\$0	\$118,658	\$14,891	\$841,098	\$1,339,697
0	0	16,673	11,158	120,061	303,654
0	0	135,331	26,049	961,159	1,643,351
0	0	58,499	6,526	161,851	154,008
0	0	6,447	10,720	45,243	13,391
0	0	0	0	55,862	87,240
0	0	276	0	10,081	1,032
0	0	0	5	575	1,621
0	0	3,207	0	18,269	24,314
0	0	0	0	0	1,113
0	0	1,841	0	64,163	9,262
0	0	0	1,278	1,428	41,114
0	0	0	0	0	0
0	0	0	0	0	60,175
0	0	0	0	0	730
0	0	0	0	789	8,396
0	0	0	0	0	11,260
0	0	10,463	20	31,441	30,363
0	0	0	0	5,382	29,839
0	0	0	0	0	0
0	0	0	0	9,324	30,341
0	0	0	0	0	9,067
0	0	0	0	2,711	2,147
0	0	0	0	700	0
0	0	14,586	0	26,340	0
0	0	0	0	461	2,124
0	0	95,319	18,549	439,807	517,537
0	0	230,650	44,598	1,400,966	2,160,888
0	0	53,139	10,275	318,947	337,244
0	0	283,789	54,873	1,719,913	2,498,132
\$0	\$0	(\$80,707)	(\$54,873)	(\$607,609)	(\$3,470)
0	0	58,800	0		
\$0.00	\$0.00	\$4.83	\$0.00		

**ST. MARK'S COMMUNITY CENTER**  
**COMBINING SCHEDULE OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**  
With Comparative Totals for the Year Ended December 31, 2002

	YOUTH DEVELOPMENT	CUBEY	AFTER SCHOOL FOR ALL	FAMILY DAY CARE	CARVER DAY CARE	ANGEL OF PEACE	JAZZ PROJECT	STREET ACADEMY CHARTER SCHOOL
<b>SUPPORT AND REVENUES</b>								
Support:								
Grantor-Federal	\$0	\$0	\$86,239	\$0	\$47,495	\$0	\$0	\$140,792
Grantor-State of Louisiana	0	0	0	0	0	0	0	459,752
Grantor-City of New Orleans	0	0	0	0	15,000	0	0	0
Support-Global Ministries	0	0	0	0	0	0	0	0
Support-Other	100	0	0	0	0	1,000	5,750	0
In-kind (Global Ministries)	0	0	0	0	0	0	0	0
United Way - Other	0	0	0	0	0	0	0	1,922
<b>Total support</b>	<b>100</b>	<b>0</b>	<b>86,239</b>	<b>0</b>	<b>62,495</b>	<b>1,000</b>	<b>5,750</b>	<b>602,466</b>
Net assets released from restriction:								
Expiration of time restriction - United Way	61,221	0	0	0	7,349	0	0	33,613
<b>Total net assets released from restrict</b>	<b>61,221</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,349</b>	<b>0</b>	<b>0</b>	<b>33,613</b>
Revenues:								
Program income and fees	0	0	0	0	0	0	0	13,650
Other income and losses	0	0	0	0	0	0	0	0
Contributions	0	0	0	0	0	0	0	35,339
Rental income	0	0	0	0	0	0	0	0
Fundraising	0	0	0	0	0	0	0	0
Interest income	0	0	0	0	0	0	0	0
<b>Total revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>48,989</b>
<b>Total support and revenues</b>	<b>61,321</b>	<b>0</b>	<b>86,239</b>	<b>0</b>	<b>69,844</b>	<b>1,000</b>	<b>5,750</b>	<b>685,068</b>
Program services								
Management and general	66,994	0	80,408	0	61,247	39,652	56,378	821,039
	0	0	0	0	0	0	0	0
<b>Total expenses</b>	<b>66,994</b>	<b>0</b>	<b>80,408</b>	<b>0</b>	<b>61,247</b>	<b>39,652</b>	<b>56,378</b>	<b>821,039</b>
Increase (decrease) in net assets	(5,673)	0	5,831	0	8,597	(38,652)	(50,628)	(135,971)
Net assets, beginning of year	(6,976)	(5,102)	17,845	(8,299)	24,543	4,131	(6,713)	58,892
Net assets, end of year	(\$12,649)	(\$5,102)	\$23,676	(\$8,299)	\$33,140	(\$34,521)	(\$57,341)	(\$77,079)

See Independent Auditors' Report on Supplementary Data.



SCHEDULE IV

CURFEW AND ASSESSMENT CENTER	TREME CORNER CAFE	TREME GARDEN MARKET	MALE MENTORING/ PREGNANCY PREVENTION	MINOR HOUSING REPAIR	MANAGEMENT AND GENERAL	TEMPORARILY RESTRICTED	2003	2002
							TOTAL	TOTAL (MEMORANDUM ONLY) (NOTE 1)
\$0	\$0	\$0	\$148,988	\$0	\$0	\$0	\$423,514	\$508,248
0	0	0	0	0	0	0	459,752	1,369,116
0	0	0	0	0	0	0	15,000	40,000
0	0	0	0	0	100,800	0	100,800	65,703
0	0	0	54,094	0	58,239	0	119,183	162,718
0	0	0	0	0	12,500	0	12,500	12,500
0	0	0	0	0	0	0	1,922	6,515
0	0	0	203,082	0	171,539	0	1,132,671	2,164,800
0	0	0	0	0	16,704	(118,887)	0	0
0	0	0	0	0	16,704	(118,887)	0	0
0	0	0	0	0	755	0	14,405	120
0	0	0	0	0	91,761	(20,795)	70,966	47,212
0	0	0	0	0	0	0	35,339	145,754
0	0	0	0	0	7,826	0	7,826	5,615
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	735
0	0	0	0	0	100,342	(20,795)	128,536	199,436
0	0	0	203,082	0	288,585	(139,682)	1,261,207	2,364,236
0	0	0	230,650	44,598	0	0	1,400,966	2,160,888
0	0	0	0	0	318,947	0	318,947	349,744
0	0	0	230,650	44,598	318,947	0	1,719,913	2,510,632
0	0	0	(27,568)	(44,598)	(30,362)	(139,682)	(458,706)	(146,396)
11,866	(13,354)	(17,793)	(1,091)	(57,073)	8,736	139,682	149,294	295,690
\$11,866	(13,354)	(17,793)	(28,659)	(101,671)	(21,626)	\$0	(309,412)	\$149,294

ST. MARK'S COMMUNITY CENTER  
 COMBINING SCHEDULE OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 2003  
With Comparative Totals for the Year Ended December 31, 2002

	YOUTH DEVELOPMENT	AFTER SCHOOL FOR ALL	CARVER DAY CARE	ANGEL OF PEACE	JAZZ PROJECT	STREET ACADEMY CHARTER SCHOOL
Salaries and wages	\$56,171	\$51,064	\$52,780	\$22,744	\$46,574	\$478,216
Employee benefits and payroll taxes	4,440	3,906	4,201	1,779	4,111	73,793
Professional fees and contract service	1,165	12,555	664	11,514	4,058	66,870
Supplies	2,293	4,473	1,154	2,270	150	17,736
Building rental expense	0	0	0	0	0	55,862
Telephone	0	0	0	0	0	9,805
Postage and shipping	0	0	0	70	0	500
Utilities	0	0	0	0	0	15,062
Printing	0	0	0	0	0	0
Equipment rental and maintenance	0	0	0	902	0	57,819
Repairs and maintenance	0	0	0	0	0	3,601
Dues and subscriptions	0	0	0	0	0	950
Building supplies and maintenance	0	0	0	150	0	0
Insurance expense	0	0	0	0	0	0
Insurance expense (NOTE 4)	0	0	0	0	0	0
Program supplies	0	0	0	0	0	0
Conferences and conventions	0	0	0	0	0	0
Staff travel	130	0	0	0	0	659
Program travel	0	0	0	0	0	0
Other	640	552	1,500	223	167	17,101
Transportation	140	5,785	0	0	50	0
Provider stipends	0	0	0	0	0	0
Food cost	0	0	0	0	0	9,324
Interest	0	0	0	0	0	2,711
Staff development	0	0	700	0	0	0
Other program expense	2,015	2,073	248	0	1,268	0
In-kind	0	0	0	0	0	5,187
Advertisement	0	0	0	0	0	461
<b>Total expenses before depre</b>	<b>66,994</b>	<b>80,408</b>	<b>61,247</b>	<b>39,652</b>	<b>56,378</b>	<b>815,657</b>
Depreciation	0	0	0	0	0	5,382
<b>Total expenses</b>	<b>\$66,994</b>	<b>\$80,408</b>	<b>\$61,247</b>	<b>\$39,652</b>	<b>\$56,378</b>	<b>\$821,039</b>

See Independent Auditors' Report on Supplemental Data.

SCHEDULE V

CURFEW AND ASSESSMENT CENTER	TREME CORNER CAFE	MALE MENTORING/ PREGNANCY PREVENTION	MINOR HOUSING REPAIR	MANAGEMENT AND GENERAL	2003 TOTAL	2002 TOTAL (MEMORANDUM ONLY) (NOTE 1)
\$0	\$0	\$118,658	\$14,891	\$40,499	\$881,597	\$1,380,702
0	0	16,673	11,158	(5,983)	114,078	322,543
0	0	58,499	6,526	68,782	230,633	188,015
0	0	6,447	10,720	17,954	63,197	16,760
0	0	0	0	0	55,862	87,240
0	0	276	0	11,325	21,406	1,764
0	0	0	5	629	1,204	1,638
0	0	3,207	0	19,545	37,814	48,729
0	0	0	0	0	0	1,113
0	0	1,841	0	12,760	73,322	23,491
0	0	0	0	0	3,601	2,500
0	0	0	0	1,089	2,039	0
0	0	0	1,278	27,692	29,120	42,754
0	0	0	0	358	358	6,991
0	0	0	0	12,500	12,500	12,500
0	0	0	0	0	0	61,623
0	0	0	0	217	217	1,335
0	0	0	0	333	1,122	8,396
0	0	0	0	0	0	20,327
0	0	10,463	0	59,083	89,729	104,911
0	0	10,752	20	0	16,747	0
0	0	0	0	0	0	0
0	0	0	0	0	9,324	30,959
0	0	0	0	6,191	8,902	34,421
0	0	0	0	65	765	0
0	0	3,834	0	9,358	18,796	0
0	0	0	0	0	5,187	0
0	0	0	0	1,120	1,581	2,124
0	0	230,650	44,598	283,517	1,679,101	2,400,836
0	0	0	0	35,430	40,812	109,796
\$0	\$0	\$230,650	\$44,598	\$318,947	\$1,719,913	\$2,510,632



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

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To the Board of Directors of  
**St. Mark's Community Center**

We have audited the financial statements of **St. Mark's Community Center (the Center)**, as of and for the year ended December 31, 2003 and have issued our report thereon dated October 8, 2004. In our report on the financial position of **the Center** as of December 31, 2003, and the changes in its net assets and its cash flows for the year then ended, our opinion was disclaimed because we were not able to satisfy ourselves about the amount at which balances of some accounts were recorded and classified due to inadequacy and incompleteness of some accounting records. 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 **the Center'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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, and which are identified in the accompanying schedule of findings and questioned costs as items 2003-01 and 2003-05.

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

---

(CONTINUED)

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered **the Center's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect **the Center's** ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2003-01 through 2003-05.

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 a material weakness. We believe that the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting, which we have reported to management of **the Center** in a separate letter dated October 8, 2004.

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

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(CONTINUED)

This report is intended solely for the information and use of the Board of Directors and the management of **St. Mark's Community Center** and for filing with the regulatory agencies, federal awarding agencies and pass-through entities and should not be used by anyone other than these specified parties. Under Louisiana Revised Status 24:513, this report is distributed by the Legislative Auditor as a public document.



**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

October 8, 2004



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

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To the Board of Directors of  
**St. Mark's Community Center**

**Compliance**

We have audited the compliance of **St. Mark's Community Center (the Center)** with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2003. **The Center's** major federal program is identified in the Summary of the Independent Auditors' 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 **the Center's** management. Our responsibility is to express an opinion on **the Center's** compliance based on our audit.

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

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(CONTINUED)

Except as discussed in the following paragraph, 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 **the Center'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 **the Center's** compliance with those requirements.

We were unable to obtain sufficient documentation supporting the compliance of **St. Mark's Community Center**, in all material respects, with the requirements referred to previously that are applicable to a major federal program for the year ended December 31, 2003, nor were we able to satisfy ourselves as to **the Center's** compliance with those requirements by other auditing procedures.

**Internal Control Over Compliance**

The management of **the Center** 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 **the Center'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 internal control over compliance in accordance with OMB Circular A-133.



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

---

(CONTINUED)

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect **the Center's** ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable conditions are described in the accompanying schedule of findings and questioned cost as items 2003-01 through 2003-05.

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 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. Our consideration of the internal control over compliance 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 consider items 2003-01 through 2003-05 to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors and the management of **St. Mark's Community Center** and for filing with the regulatory agencies, federal awarding agencies and pass-through entities and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

October 8, 2004

**ST. MARK'S COMMUNITY CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

**Section I - Summary of Independent Auditors' Results**

*Financial Statements*

Type of auditors' report issued: **Disclaimer**

Internal control over financial reporting:

- Material weaknesses identified?   X   yes      no
  
- Reportable conditions identified that are not considered to be material weaknesses?      yes   X   none reported

Noncompliance material to financial statements noted?   X   yes      no

*Federal Awards*

Internal control over major programs:

- Material weaknesses identified?   X   yes      no
  
- Reportable conditions identified that are not considered to be material weaknesses?      yes   X   none reported

**ST. MARK'S COMMUNITY CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

***Section I - Summary of Independent Auditors' Results, Continued***

Type of auditors' report issued on compliance for major programs: **Disclaimer**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133

**yes**     **no**

Identification of major programs:

CFDA Numbers

Name of Federal Programs

93.558

Temporary Assistance for Needy Families  
(TANF)

Dollar threshold used to distinguish between type A and type B programs:

**\$300,000**

Auditee qualified as low-risk auditee?

**yes**     **no**

**ST. MARK'S COMMUNITY CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

***Section II - Financial Statement Findings***

**Audit Finding Reference Number**

2003-01 **Untimely Completion of Annual Financial and Compliance Audit**

**Condition**

The single audit of **the Center** for the year ended December 31, 2003, was not completed within the nine (9) months period after year end.

**Cause**

This condition was due, in part, to untimely preparation of required accounting records.

**Criteria**

OMB Circular A-133 stipulates that an audit should be performed annually and a reporting package should be submitted by the auditee within the earlier of thirty (30) days after the receipt of the auditor's reports or nine (9) months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

**Effect**

Non-compliance with federal regulations which stipulate that certain procedures must be established and adhered to with respect to reporting.

**ST. MARK'S COMMUNITY CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

***Section II - Financial Statement Findings, Continued***

**Audit Finding Reference Number**

2003-01 **Untimely Completion of Annual Financial and Compliance Audit  
(Continued)**

**Recommendation**

We recommend that management take all necessary efforts to ensure all accounting records are prepared and audited timely to guide against future occurrence of the noted deficiency.

**Management's Response**

**St. Mark's Community Center** has hired a permanent executive director and contracted with an outside accountant who will make sure all accounting records are prepared and audited timely.

**ST. MARK'S COMMUNITY CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

***Section II - Financial Statement Findings, Continued***

**Audit Finding Reference Number**

2003-02   **Avoid Overdrawn Cash Balances**

**Condition**

During our audit, we noted a situation whereby a major operating bank account of **the Center** was significantly overdrawn as a result of many checks that were issued in excess of available bank balance.

**Cause**

Some of the contributing factors attributable to this condition include:

- Untimely reconciliation of bank accounts;
- Lack of a formalized financial planning and control; and
- Lack of supervisory oversight.

**Criteria**

Proper cash management enhances a solid cash position and provides a possible safeguard in time of crises.

**ST. MARK'S COMMUNITY CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

**Section II - Financial Statement Findings, Continued**

**Audit Finding Reference Number**

2003-02 **Avoid Overdrawn Cash Balances, Continued**

**Effect**

Problems associated with **the Center's** cash flow process continues on a consistent basis.

**Recommendation**

We recommend that management consider the following improvements:

- Prepare monthly budget reports to anticipate both cash needs and cash availability, and to provide information for planning the timing of discretionary expenditures.
- Control checks issued, voided, and returned by means of check signing and review procedures.
- Regularly prepare timely and accurate bank reconciliations for management's review.

**Management's Response**

We agree with the finding. By hiring a permanent executive director and contracting with an independent outside accountant, we will be in position to implement the auditors' recommendations and ensure better cash management.

**ST. MARK'S COMMUNITY CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

***Section II - Financial Statement Findings, Continued***

**Audit Finding Reference Number**

2003-03 **Retirement Withholding**

**Condition**

During our audit, we noted that contributions to the teachers' retirement funds were not remitted to the Teachers' Retirement System of Louisiana on a timely basis. At December 31, 2003, a total of \$55,059 remains outstanding. These funds were temporarily used to pay operating expenses of the Street Academy Charter School.

**Cause**

The contributory factor to this condition was cash flow problems experienced by the Street Academy Charter School during the year based on our discussions with the management.

**Criteria**

Management is expected to remit teachers' retirement withholdings on a timely basis in order not to violate IRS Code 6674 and 7204.

**Effect**

Failure to remit withholdings on a timely basis may result in criminal and/or civil penalties.



**ST. MARK'S COMMUNITY CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

***Section II - Financial Statement Findings, Continued***

**Audit Finding Reference Number**

2003-03 **Retirement Withholding, Continued**

**Recommendation**

We recommend that management explore other ways to generate or solicit funds needed to fund operating expenses and immediately stop the practice of using retirement withholdings.

**Management's Response**

All teachers' retirement funds will be remitted and management is exploring additional funding sources to help alleviate cash flow problems.

**ST. MARK'S COMMUNITY CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

***Section II - Financial Statement Findings, Continued***

**Audit Finding Reference Number**

2003-04 **Assessment of Tax Penalty and Interest**

**Condition**

During the year ended December 31, 2003, the Internal Revenue Service (IRS) assessed penalties plus interest for the calendar years 1998 through 2002 against **the Center** for the late filing of tax returns and the untimely remission of payroll tax withholdings. **The Center** has entered into an agreement with the IRS concerning the assessment and has reached an informal understanding that may abate the amount assessed.

**Cause**

This condition is due to **the Center's** use of payroll tax withholding to finance operations, untimely preparation of financial records leading to late tax filings, and weak controls on cash management.

**Criteria**

Internal Revenue Service regulations require **the Center** to file returns and remit payroll taxes on a timely basis.

**ST. MARK'S COMMUNITY CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

**Section II - Financial Statement Findings, Continued**

**Audit Finding Reference Number**

2003-04 **Assessment of Tax Penalty and Interest, Continued**

**Effect**

Significant amount of penalties and interest assessed which is currently under negotiation is contingent upon some conditions that **the Center** must satisfy.

**Recommendation**

We recommend that management make all necessary efforts to ensure timely and accurate filing of all tax returns to avoid future interest and penalties.

**Management's Response**

**The Center** has contracted with Pay Check Company to report and pay tax liabilities one day after processing of payroll checks. Tax returns are prepared and submitted to tax authorities on a timely basis.

**ST. MARK'S COMMUNITY CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

***Section II - Financial Statement Findings, Continued***

**Audit Finding Reference Number**

2003-05 **Completeness of Accounting Records**

**Condition**

During our audit, we noted some instances of incomplete accounting records, erroneous coding and account misclassifications. Some accounting records frequently could not be located when needed. Also, some accounting records were recreated because files were either missing or could not be located.

**Cause**

The causes of the problem are attributed to change in leadership, under-staffing in the accounting department, and the lack of specific policies for addressing accounting issues.

**Criteria**

Proper and complete recordkeeping enhances timely completion of annual audit and allows for regular financial review of operations by management.

**Effect**

The result was that employees spent what we considered to be nonproductive time searching for needed documents. Also, we disclaimed our opinion on the financial statements for the year ended December 31, 2003. The process was time consuming and cumbersome.

**ST. MARK'S COMMUNITY CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

***Section II - Financial Statement Findings, Continued***

**Audit Finding Reference Number**

2003-05 **Completeness of Accounting Records, Continued**

**Recommendation**

We recommend that **the Center** evaluate the current system with an aim toward ensuring that all transactions and accounting records are adequate, correct, complete and properly coded, and classified in a timely manner.

**Management's Response**

We believe this condition will not repeat itself in the future.

**ST. MARK'S COMMUNITY CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

---

***Section III - Federal Award Findings and Questioned Costs***

**Audit Finding Reference Number**

2003-01 - Untimely completion of Annual Financial and Compliance Audit

2003-05 - Completeness of Accounting Records

**ST. MARK'S COMMUNITY CENTER  
STATUS OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

---

**Section I - Financial Statement Findings**

None reported in prior year.

**Section II - Federal Award Findings and Questioned Costs**

None reported in prior year.

**Section III - Management Letter Comments**

See separate letter to management dated October 8, 2004.



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## **INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**

To the Board of Directors of  
**St. Mark's Community Center**

In planning and performing our audits of the financial statements of **St. Mark's Community Center (the Center)** for the years ended December 31, 2003 and 2002, we considered its internal control 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. However, during the course of our audits, the following internal control matters came to our attention.

### **Cash Management Control Weaknesses**

#### **Condition**

We noted certain weaknesses cited below during the review of cash that provide opportunities for errors to occur and remain undetected for an extended period of time.

- Certain checks that had cleared at year end were listed as outstanding in the reconciliation of the main operating account.
- One bank reconciliation listed a deposit in transit since March 2003.
- The main operating account of **the Center** was significantly overdrawn as a result of many checks being issued in excess of the available bank balance.
- Certain checks were outstanding for more than one year.



**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**  
**(CONTINUED)**

Cause

Some of the contributing factors attributed to the condition are:

- **The Center** experienced significant turnover in its executive and accounting staff during the year;
- **The Center's** staff is not reviewing and monitoring account reconciliations for proper resolution; and
- Lack of formalized financial planning and control procedures.

Criteria

Proper cash management enhances a solid cash position and provides possible safeguard in time of crises.

Effect

Noted weaknesses contributed to the following effects:

- Bank reconciliations were revised and further research is necessary to identify proper treatment of accounts;
- Delays to the audit were unreasonable; and
- Problems associated with **the Center's** cash flow process continues on a consistent basis.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**  
**(CONTINUED)**

**Recommendation**

- **The Center's** staff should regularly review bank reconciliations and follow-up on unusual items including amounts outstanding for an unreasonable time;
- Issued checks should be controlled by proper review and approval of vendor invoices, and voided checks should be properly adjusted in the financial statements; and
- Monthly budgets should be prepared and monitored to anticipate both cash needs and cash availability and to provide information for planning the timing of discretionary expenditures.

**Untimely Reconciliation of Interfund Accounts**

**Condition**

During the course of our audit, we noted that the interfund accounts were never reconciled.

**Cause**

Among the contributing factors, we noted the following:

- Turnover of key administrative staff; and.
- Delays by staff in monitoring and resolving unreconciled differences in monthly financial statements prepared by the independent accountant.

**Criteria**

Internal controls are strengthened when monthly financial statements are prepared and reviewed on a monthly basis and identified differences are resolved timely.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**  
**(CONTINUED)**

Effect

An adjusting entry of \$73,172 was recorded to current year's income to correct the interfund balance.

Recommendation

Management should establish procedures which include reviewing and resolving differences reported in the monthly financial statements.

**Physical Inventory Count of Fixed Assets**

Condition

During our audit we noted no evidence of a physical inventory of fixed assets.

Cause

The absence of a periodic physical count is due primarily to the fact that the previous staff was aware of the location and identification of fixed assets inventory, and limited staff and negative cash flows did not allow **the Center** to use existing staff or to hire temporary staff to count and tag the fixed assets inventory.

Criteria

Adequate internal controls over inventory include performing a physical inventory of fixed assets at least once every two years, especially after a major turnover in staff.

Effect

Fixed assets balances reported in the financial statements could be overstated due to missing, obsolete and impaired inventory.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**  
**(CONTINUED)**

**Recommendation**

Management should make every effort to establish an inventory of fixed assets policy which considers purchases, issues and returns, if applicable, tagging, physical inventory counts and retirements and/or disposals. Such a policy should be consistent with public property and other funding requirements.

**Payroll Control Weaknesses**

**Condition**

During our audit we tested internal controls over payroll and noted the following weaknesses:

- Employee files selected for testing did not include current employee agreements.
- Punched time cards were not located.
- Scheduled monthly payroll and payroll expense per the combined general ledgers differed by approximately \$14,000.
- Quarterly 941's filed with the IRS were never located.

**Cause**

The primary factors attributed to the above condition include the following:

- Major turnover in administration staff;
- Lack of policy governing file documentation and retention; and
- Absence of assigned responsibility for files during the transitioning of the executive and accounting staff.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**  
**(CONTINUED)**

**Criteria**

Policies and procedures should address filing, retaining, and periodic monitoring of filed documents, especially during periods of transition involving key employees.

**Effect**

The noted weaknesses contributed to the following:

- Significant support documentation is unavailable;
- Recorded transactions are unsupported; and
- Excessive time was utilized searching for documents.

**Recommendation**

Management should make every effort to establish policies and procedures that will address the retention and monitoring of support documentation.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**  
**(CONTINUED)**

***STATUS OF PRIOR YEARS' COMMENTS TO MANAGEMENT***

	<u>Resolved</u>	<u>Unresolved</u>
Untimely Completion of Annual and Compliance Audit (Repeat)		X
Avoid Overdrawn Cash Balances (Repeat)		X
Improve Segregation of Duties	X	
Retirements Withholdings (Repeat)		X
Assessment of Tax Penalty and Interest (Repeat)		X
Completeness of Accounting Records (Repeat)		X

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We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with appropriate personnel, and will be pleased to discuss them in further detail at your earliest convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Directors and the management of **St. Mark's Community Center** and for filing with the regulatory agencies, federal awarding agencies and pass-through entities and should not be used by anyone other than these specified parties. Under Louisiana Revised Stature 24:513, this report is distributed by the Legislative Auditor as a public document.

  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

October 8, 2004