

**NEW ORLEANS COMMUNITY ENHANCEMENT, INC.  
NEW ORLEANS, LOUISIANA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 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 2-9-05

**DESIREE' W. HONORE'**  
**Certified Public Accountant**  
**A Professional Corporation**

**NEW ORLEANS COMMUNITY ENHANCEMENT, INC.**  
**NEW ORLEANS, LOUISIANA**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2003**

## CONTENTS

<u>INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS</u>	1
<u>FINANCIAL STATEMENTS</u>	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
<u>NOTES TO FINANCIAL STATEMENTS</u>	4 - 6
<u>REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</u>	7-8
<u>SUMMARY OF FINDINGS, CONCLUSIONS, CAUSES, AND RECOMMENDATIONS</u>	9
<u>SUMMARY OF PREVIOUS YEAR'S FINDINGS</u>	10

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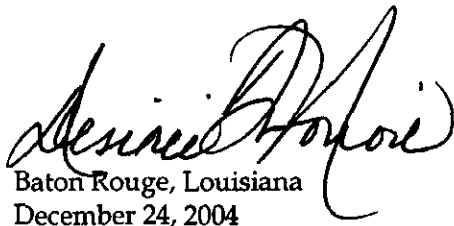
**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**

To the Board of Directors  
New Orleans Community Enhancement, Inc.  
New Orleans, Louisiana

I was engaged to audit the accompanying statements of financial position of New Orleans Community Enhancement, Inc. (a not for profit organization) as of June 30, 2004, and the related statements of activities, functional expenses, and cash flows for the period then ended. These financial statements are the responsibility of New Orleans Community Enhancement, Inc.'s Management.

No accounting controls were exercised over cash disbursements and expenditure authorization, nor were cash accounts reconciled during the year. In some instances, the origin of certain transactions was uncertain. The Organization did not have sufficient documentation to substantiate many expenditures. Consequently, I was unable to determine if all transactions had been recorded. Accordingly, it was not practicable for me to extend my audit of such expenses beyond the amounts recorded.

Because I was unable to satisfy myself concerning the proper recording of cash transactions and the nature of the records, the scope of my work was not sufficient to enable me to express and I do not express an opinion on the financial statements referred to in the first paragraph.

  
Baton Rouge, Louisiana  
December 24, 2004

NEW ORLEANS COMMUNITY ENHANCEMENT, INC.  
NEW ORLEANS, LOUISIANA

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2004

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$0	
Accounts Receivable	26,714	
Prepaid Expenses	278	
Total current assets		<u>26,992</u>

PROPERTY AND EQUIPMENT

Furniture and Equipment	23,249	
Leasehold Improvements	19,877	
Less: Accumulated Depreciation	<u>-7,740</u>	
Total property and equipment		<u>35,385</u>

Total assets \$62,377

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$28,722	
Loan payable	-\$12,360	
Payroll taxes payable	<u>32,705</u>	
		<u>49,067</u>

Total current liabilities

NET ASSETS - UNRESTRICTED	<u>13,310</u>	<u>13,310</u>
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Total liabilities and net assets \$62,377

The accompanying notes are an integral part of these financial statements

NEW ORLEANS COMMUNITY ENHANCEMENT, INC.  
NEW ORLEANS, LOUISIANA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2004

SUPPORT AND REVENUE

Grant from Governor's Office of Urban Affairs and Development	\$160,000
Grant from Louisiana Stadium Exposition District	23,000

Other:

Donations	713
Interest Income	10

Total support and revenue	<u>183,723</u>
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EXPENSES

Program services	
Other	178,195
Administration	

Total Expenses	<u>178,195</u>
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CHANGE IN NET ASSETS	5,528
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Net assets - beginning of period	<u>7,783</u>
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Net assets - end of period	<u>\$13,310</u>
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The accompanying notes are an integral part of these financial statements

NEW ORLEANS COMMUNITY ENHANCEMENT, INC.  
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

1. Summary of Significant Accounting Policies

a. Operations

New Orleans Community Enhancement, Inc. (NOCE) provides after school tutorial instruction with homework assistance, math and reading enrichment, and development of computer skills to children in grades three through twelve. The organization conducts workshops on drug awareness. NOCE is dedicated to providing educational, tutoring, cultural enhancement, counseling, and related services to "at risk" youths. Additionally, NOCE offers computer literacy classes for adults and senior citizens. Funds for NOCE's activities were provided by the Governor's Office on Urban Affairs of the State of Louisiana and the Louisiana Superdome Exposition District.

b. Basis of Preparation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

c. Revenue Recognition

New Orleans Community Enhancement, Inc. receives substantially all of its grant and contract revenue from governmental agencies. Revenue is recognized when services are provided. Expenses are recognized as incurred.

Within the terms of the grants and contracts, any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both as a result of non compliance by New Orleans Community Enhancement, Inc.

NEW ORLEANS COMMUNITY ENHANCEMENT, INC.  
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2004

d. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and or nature of any donor restrictions. NOCE has not received any contributions with donor imposed restrictions that would result in temporarily or permanently restricted net assets.

e. Property and Equipment

Property and equipment are recorded at cost. Expenditures for maintenance, repairs, and minor renewals are charged against earnings as incurred. Major expenditures for renewals and betterments are capitalized. When items are retired or otherwise disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any resulting gain or loss is credited to or charged against income. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives (25 years for building and improvements, 3-7 years for furniture and equipment, and 5 years for vehicles), using straight-line method.

f. Income Taxes

The Organization is a nonprofit organization that is exempt from federal income taxation under Section 501 (c) (3) of the Internal Revenue Code.

g. Cash and Cash Equivalents

Cash and cash equivalents consist of items having maturities of three months or less from the date of acquisition.

h. Concentrations of Credit Risk

The Organization maintains its cash balances in financial institutions located in New Orleans, Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$ 100,000.



NEW ORLEANS COMMUNITY ENHANCEMENT, INC.  
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2004

2. Payroll Taxes

The organization did not pay the previous year's liabilities .

3. Subsequent Events

Subsequent to the audit date of June 30, 2004, the organization ceased operating due to lack of funding.

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

To the Board of Directors  
New Orleans Community Enhancement, Inc.

I was engaged to audit the financial statements of New Orleans Community Enhancement, Inc. for the year ended June 30, 2004 and have issued my report thereon dated December 24, 2004.

**Compliance**

As part of obtaining reasonable assurance about whether New Orleans Community Enhancement, Inc.'s financial statements are free of material misstatement, I 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 04-1.

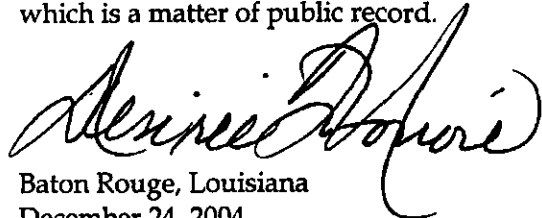
**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered New Orleans Community Enhancement, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect New Orleans Community Enhancement's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs.

A material weakness is a reportable condition in which the design or operation of one or more the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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. My 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 disclose all reportable conditions that are also considered to be material weaknesses.

However, of the reportable conditions, described above, I consider items 04-2, 04-3, 04-4, and 04-5 to be material weaknesses. I have further detailed these items in a letter to management, dated December 24, 2004.

This report is intended for the information of the Board of Directors, Management, Office of the Legislative Auditor, Governor's Office on Urban Affairs, Louisiana Department of Education, and other oversight agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Baton Rouge, Louisiana  
December 24, 2004

NEW ORLEANS COMMUNITY ENHANCEMENT, INC.  
NEW ORLEANS, LOUISIANA

SUMMARY OF FINDINGS, CONCLUSIONS, CAUSES  
AND RECOMMENDATIONS AND MANAGEMENT'S RESPONSE  
YEAR ENDED JUNE 30, 2004

<u>Detail No.</u>	<u>Description Of Exception</u>	<u>Amount</u>
04-1	Payroll tax liabilities have not been reported in a timely fashion or remitted to the various taxing authorities	<u>\$ Undeterminable</u>
04-2	Cash Accounts were not reconciled during the year  Management has hired a CPA to reconcile all accounts. However, due to missing support documentation, the Cash accounts could not be reconciled properly.	
04-3	The Executive Director opened a credit card account in the name of the organization and made purchases of a personal nature. She also paid this account with agency funds. She also wrote checks to herself for undocumented expenses.  Management has closed this account and is reviewing all charges. The Executive Director has resigned. Management is seeking reimbursement of all unauthorized expenses. A criminal complaint has been filed with the District Attorney and this case is still pending.	<u>\$Undeterminable</u>
04-4	The former Executive Director wrote payroll checks to herself in excess of her approved salary.  Management is seeking reimbursement from the former Executive Director. The Executive Director has resigned. Management is seeking reimbursement of all unauthorized expenses. A criminal complaint has been filed with the District Attorney and this case is still pending.	<u>\$ Undeterminable</u>
04-5	Supporting documentation for many transactions was unavailable.	

NEW ORLEANS COMMUNITY ENHANCEMENT, INC.  
NEW ORLEANS, LOUISIANA

SUMMARY OF PRIOR YEAR FINDINGS  
PERIOD ENDED JUNE 30, 2004

Finding No.

03-1 Payroll tax liabilities have not been reported in a timely fashion or remitted to the various taxing authorities \$ 7,854

This finding has been reclassified at 04-1.

03-2 Cash Accounts were not reconciled during the year

This finding has been reclassified at 04-2.

03-3 The Executive Director opened a credit card account in the name of the organization and made purchases of a personal nature. She also paid this account with agency funds. She also wrote checks to herself for undocumented expenses. \$21,865

This finding has been reclassified at 04-3.

03-4 The former Executive Director wrote payroll checks to herself in excess of her approved salary. \$ 8,198

This finding has been reclassified at 04-4.

03-5 There were no minutes of Board of Directors meeting during the audit period. The Board did not regularly meet for oversight of the organization.

Prior to the closing of the organization, the Board of Directors did have regularly scheduled meetings and minutes are recorded.

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December 24, 2004

To the Board of Directors  
New Orleans Community Enhancement, Inc.  
New Orleans, Louisiana

In planning and performing my audit of the financial statements of New Orleans Community Enhancement, Inc. for the year ended June 30, 2004, I considered the Organization's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during my examination, I became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect my report date December 24, 2004, on the financial statements of New Orleans Community Enhancement, Inc.

My comments are summarized below:

**Bank Cash Accounts**

There is not a proper segregation of duties of between cash receipts, cash disbursements, and reconciliation of bank accounts. These functions should not be performed by the same employee.

During the previous year, the employee that handled the accounting functions of the organization resigned. This person was not replaced.

The former Executive Director assumed full control of all accounting functions. She wrote several payroll checks to herself and paid expenses that were not related to the organization's purpose.

I would recommend that the organization institute dual signature authority on all checks and that the Board President or Treasurer be one of the required signatures. It is also recommended that a dollar limit be set on all expenses that may be approved by the Executive Director without board consent.

Due to the size of the organization, it is also recommended that the Board Treasurer review the monthly cash reconciliations.

#### **Payroll Tax Returns**

The Organization failed to file forms 941 in a timely fashion. Payroll taxes were also not remitted in a timely fashion. The Organization should ensure that all tax returns and taxes are paid by the required due date.

#### **Credit Cards**

The Organization has no policy regarding credit card use. During the audit period, the former Executive Director obtained a credit card in the name of the organization. This employee charged expenses that were not related to the organization's purpose. She also authorized electronic payments on this account through the Organization's bank accounts.

The Organization should develop a policy on credit card use or discontinue all use of credit cards.

#### **Expense Documentation**

Documentation for all grant expenses were not properly maintained. Several expenses appeared to be of a personal nature, not related to the operations of the organization.

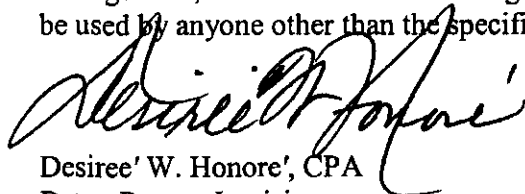
It is recommended that the Organization maintain all supporting documentation as required by its grantors.

#### **Financial Reporting**

Several transactions were not properly recorded. Manual checks were on occasion entered into the financial system twice. Checks were also entered with the incorrect payee, number, and amount.

The Organization also used the same check numbers twice. It is recommended that pre-printed check stock be used in order to assure that the duplication of check numbers does not occur. The Organization's Board Treasurer should also review financial statements on a regular basis.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than the specified parties.



Desiree' W. Honore', CPA  
Baton Rouge, Louisiana