

**Marketing Education Retail Alliance, Inc.**  
**Baton Rouge, Louisiana**  
**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.

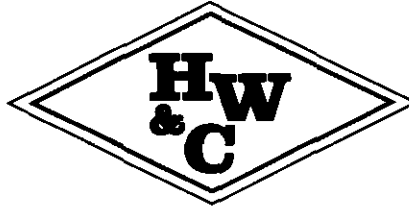
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December 1, 2004

**Independent Auditor's Report**

Board of Directors  
Marketing Education Retail Alliance, Inc.  
Baton Rouge, Louisiana

Members of the Board:

We have audited the accompanying statements of financial position of

**Marketing Education Retail Alliance, Inc.**  
**(A Non-Profit Organization)**  
**Baton Rouge, Louisiana**

as of June 30, 2004 and 2003, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Marketing Education Retail Alliance, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marketing Education Retail Alliance, Inc., as of June 30, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2004, on our consideration of Marketing Education Retail Alliance, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Yours truly,

*Hawthorn, Weymouth & Carroll, P.C.P.A.*

**Marketing Education Retail Alliance, Inc.**  
**Statements of Financial Position**  
**June 30, 2004 and 2003**

**A s s e t s**

	<u>2004</u>	<u>2003</u>
<b>Current Assets</b>		
Cash	\$9,759	\$38,321
Accounts receivable	<u>116,879</u>	<u>1,000</u>
<u>Total assets</u>	<u>126,638</u>	<u>39,321</u>

**Liabilities and Net Assets (Deficit)**

<b>Current Liabilities</b>		
Accounts payable	133,124	44,108
Due to related party	<u>2,025</u>	<u>      </u>
<u>Total liabilities</u>	135,149	44,108
<b>Net Assets</b>		
Unrestricted (deficit)	<u>(8,511)</u>	<u>(4,787)</u>
<u>Total liabilities and net assets (deficit)</u>	<u>126,638</u>	<u>39,321</u>

The accompanying notes are an integral part of these statements.

**Marketing Education Retail Alliance, Inc.**  
**Statements of Activities**  
**Years Ended June 30, 2004 and 2003**

<b>Unrestricted Net Assets</b>		
	<b><u>2004</u></b>	<b><u>2003</u></b>
<b>Public Support and Revenue</b>		
State grant	\$759,961	\$749,507
<u>Total public support and revenue</u>	<u>759,961</u>	<u>749,507</u>
<b>Expenses</b>		
Administrative expenses	206,617	105,748
Operating expenses	10,155	60,885
Meeting expenses	2,000	
Travel	3,095	
Marketing education grants	<u>541,818</u>	<u>587,624</u>
<u>Total expenses</u>	<u>763,685</u>	<u>754,257</u>
<b>Increase (Decrease) in Net Assets</b>	(3,724)	(4,750)
<b>Net Assets (Deficit), beginning of period</b>	<u>(4,787)</u>	<u>(37)</u>
<b>Net Assets (Deficit), end of period</b>	<u>(8,511)</u>	<u>(4,787)</u>

The accompanying notes are an integral part of these statements.

**Marketing Education Retail Alliance, Inc.**  
**Statements of Functional Expenses**  
**Years Ended June 30, 2004 and 2003**

	<u>2004</u>			<u>2003</u>		
	<u>Supporting Services</u>	<u>Program Services</u>	<u>Total</u>	<u>Supporting Services</u>	<u>Program Services</u>	<u>Total</u>
<b>Administrative Expenses</b>						
Accounting/bookkeeping		\$61,550	\$61,550		\$31,250	\$31,250
Field coordinator		20,000	20,000			
Administrative support		28,326	28,326		8,115	8,115
Public relations coordinator		37,250	37,250		26,069	26,069
Rent	\$26,100		26,100	\$16,020		16,020
Telephone	7,901		7,901	6,125		6,125
Utilities	5,200		5,200	4,200		4,200
Equipment rental and maintenance	9,826		9,826	8,360		8,360
Printing and postage	969		969			
Office supplies	9,035		9,035	5,229		5,229
Bank charges		<u>460</u>	<u>460</u>		<u>380</u>	<u>380</u>
	<u>59,031</u>	<u>147,586</u>	<u>206,617</u>	<u>39,934</u>	<u>65,814</u>	<u>105,748</u>
<b>Operating Expenses</b>						
Professional services		10,155	10,155		60,885	60,885
<b>Meeting Expenses</b>						
Miscellaneous meetings		2,000	2,000			
<b>Travel</b>						
Miscellaneous travel		3,095	3,095			
<b>Marketing Education Grants</b>		<u>541,818</u>	<u>541,818</u>		<u>587,624</u>	<u>587,624</u>
<b>Total functional expenses</b>	<u>59,031</u>	<u>704,654</u>	<u>763,685</u>	<u>39,934</u>	<u>714,323</u>	<u>754,257</u>

The accompanying notes are an integral part of these statements.

**Marketing Education Retail Alliance, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	(\$3,724)	(\$4,750)
Adjustments to reconcile net assets to net cash provided by operating activities		
(Increase) decrease in accounts receivable	(115,879)	730
Increase in accounts payable	89,016	41,572
Increase in due to related party	<u>2,025</u>	<u>      </u>
<u>Net cash provided (used) by operating activities</u>	<u>(28,562)</u>	<u>37,552</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(28,562)	37,552
<b>Cash and Cash Equivalents, beginning of period</b>	<u>38,321</u>	<u>769</u>
<b>Cash and Cash Equivalents, end of period</b>	<u>9,759</u>	<u>38,321</u>

The accompanying notes are an integral part of these statements.



**Marketing Education Retail Alliance, Inc.**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 1-Summary of Accounting Policies**

A. Nature and Purpose

Marketing Education Retail Alliance, Inc.(the Organization) is a not-for-profit organization formed June 21, 2000 to increase marketing education in Louisiana by assisting in the expansion, training, and enhanced enrollment of members in Distributive Education Clubs of America (“DECA”) located in Louisiana by rewarding and motivating students. The Organization is a party to a cooperative endeavor agreement with the Louisiana Department of Economic Development, a Louisiana Public Corporation, to channel funds directly to the classroom through a grant process, for worthy, creative, and innovative opportunities, to assist students in achieving their full potential. The Organization works with local and national merchants and businesses through the Louisiana Retailers Association to ensure the best preparation of the leaders of our future. Nearly all revenues are derived from a Social Services agreement with the Louisiana Department of Economic Development.

B. Method of Accounting

The financial statements of the Organization are prepared on the accrual basis recording revenue when earned and expenditures when incurred.

C. Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

D. Cash and Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

E. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time, period, or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity. The Organization does not have any temporarily or permanently restricted net assets.

**Marketing Education Retail Alliance, Inc.**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 1-Summary of Accounting Policies (Continued)**

F. Income Taxes

Marketing Education Retail Alliance, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation.

G. Basis of Presentation

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 according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Note 2-Functional Allocation of Expenses**

The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fund-raising activities benefitted.

**Note 3-Related Party Transactions**

Marketing Education Retail Alliance, Inc. owes a related party through common interest \$2,025 as of June 30, 2004.

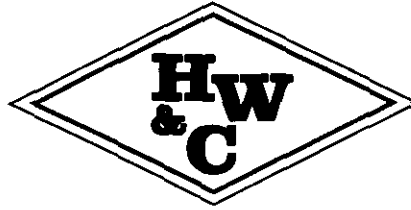
**Note 4-Concentrations of Credit Risk**

The operations of Marketing Education Retail Alliance, Inc. are dependent on the cooperative endeavor agreement with the Louisiana Department of Economic Development which provides nearly all of the Organizations' revenue.

At various times during the year, cash and cash equivalents on deposit with one banking institution exceeded the \$100,000 insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the institution on a regular basis, along with its balances in cash and cash equivalents, to minimize potential risk.

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December 1, 2004

**Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed In Accordance With *Government Auditing Standards***

Board of Directors  
Marketing Education Retail Alliance, Inc.  
Baton Rouge, Louisiana

Members of the Board:

We have audited the financial statements of Marketing Education Retail Alliance, Inc. as of and for the year ended June 30, 2004, and have issued our report thereon dated December 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marketing Education Retail Alliance, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted 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 Marketing Education Retail Alliance, Inc.'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 summary schedule of findings and questioned costs as Items 04-1, 04-2, and 04-3.

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 over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable conditions described above are not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marketing Education Retail Alliance, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the Organization, federal awarding agencies and pass-through entities and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Yours truly,  
*Hawthorn, Weymouth & Carroll, L.L.P.*

**Marketing Education Retail Alliance, Inc.**  
**Summary Schedule of Audit Findings and Questioned Costs**  
**Year Ended June 30, 2004**

**Findings - Financial Statement Audit**

04-1 *Finding*

The amount requested for reimbursement #5 did not agree with the actual amounts expended. Marketing Education Retail Alliance, Inc., received \$19,500 more than actual expenses incurred on this reimbursement. This is a repeat finding.

*Recommendation*

Procedures should be established to request the actual amount expended.

*Management's Response*

After reviewing the current procedures for reimbursement of state funds, Marketing Education Retail Alliance, Inc.'s administration will set up a check and balance system with the assistance of an independent accountant.

04-2 *Finding*

The total amount expended was greater than the amount budgeted for by \$8,574.

*Recommendation*

A system of checks and balances should be implemented and an employee designated to review budgets and expenditures to assure that amounts expended are within the budget.

*Management's Response*

Procedures are now in place to make sure budgeted items are in line with amounts expended.

04-3 *Finding*

Funds from the Social Services agreement are being requested before proper documentation is obtained to support the expenditures. This has resulted in excess funds of \$19,083.79 being drawn down.

*Recommendation*

Funds should not be requested until proper documentation has been obtained.

*Management's Response*

Management will wait to issue checks and request reimbursement until all documentation has been received from the school from previous year.

**Marketing Education Retail Alliance, Inc.**  
**Summary Schedule of Prior Year Audit Findings**  
**Year Ended June 30, 2004**

**Findings - Financial Statement Audit**

03-1 *Finding*

The amount requested for reimbursement did not agree with the actual amounts expended. Marketing Education Retail Alliance, Inc. received \$2,856 more than actual expenses incurred.

*Management's Corrective Action Taken*

In process.

*Partial Corrective Action Taken*

Client has received assistance of an independent accountant as of July 1, 2004; however, a check and balance system has not been set up.