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**OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA**

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003**

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

Release Date 11-24-04

CONTENTS

	<u>Page</u>
<u>Independent Auditors' Report</u>	1
<u>Financial Statements</u>	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
<u>Notes to Financial Statements</u>	6 - 10
<u>Supplementary Information</u>	
Schedule of Federal/State Financial Assistance	11
<u>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</u>	12
<u>Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133</u>	13

DAIGREPONT & BRIAN

A Professional Accounting Corporation

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Options Foundation, Inc.
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of Options Foundation, Inc. (a non-profit organization), as of June 30, 2004 and 2003, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Options Foundation, Inc. as of June 30, 2004 and 2003, and the results of its operations and 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 October 22, 2004, on our consideration of Options Foundation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. 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 financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Daigrepont & Brian a Pac

Baton Rouge, Louisiana
October 22, 2004

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 94,736	\$ 78,523
Cash-resident funds	164,708	57,284
Contracts receivable	226,482	314,914
Due from related companies	122,527	66,785
Other current assets	3,449	1,056
Total current assets	<u>611,902</u>	<u>518,562</u>
<u>Fixed Assets</u>		
Land	56,325	56,325
Buildings	724,311	723,221
Vehicles	58,701	58,701
Furniture and Fixtures	30,028	30,028
Improvements	40,474	40,474
Computers and Equipment	14,396	11,677
Accumulated Depreciation	(924,235)	(920,426)
Total fixed assets	<u>(199,328)</u>	<u>(163,621)</u>
	<u>724,907</u>	<u>756,805</u>
<u>Other Assets</u>		
Deposits	1,837	1,837
Total Assets	<u>\$ 1,338,646</u>	<u>\$ 1,277,204</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 136,080	\$ 85,524
Resident funds payable	164,708	57,284
Notes payable-current portion	203,261	24,930
Payroll taxes and related payables	9,821	8,244
Due to related companies	707,920	746,750
Total current liabilities	<u>1,221,790</u>	<u>922,732</u>
<u>Long Term Liabilities</u>		
Notes payable	262,653	379,329
Total liabilities	<u>1,484,443</u>	<u>1,302,061</u>
<u>Net Assets</u>		
Unrestricted	(145,797)	(24,857)
Total Liabilities and Net Assets	<u>\$ 1,338,646</u>	<u>\$ 1,277,204</u>

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

CHANGES IN UNRESTRICTED NET ASSETS

	<u>2004</u>	<u>2003</u>
<u>Revenues and Gains</u>		
Unrestricted Support Revenues:		
Grant-Office of Community Service	\$ 216,588	\$ 611,052
Grant-Office of Mental Health	46,830	22,189
Grant-North Shore	652,939	749,262
Grant-Family Support	46,939	36,474
Grant-A New Life	137,111	130,693
Grant-HUD/City of Baton Rouge-Options Villa	208,593	191,649
Rent Income-Options Villa	112,992	95,808
Rent Income-A New Life	48,200	48,579
Rent Income-Options West	17,275	19,369
Rent Income-Options East	6,497	2,931
Rent Income-Hope Villa	59,398	32,982
Donations	1,780	200,000
Other	<u>57,462</u>	<u>58,474</u>
Total Unrestricted Support, Revenues and Reclassifications	1,612,604	2,199,462
<u>Expenses</u>		
Program Services:		
Community Service Residential Treatment Services	185,476	764,883
Family Support	44,187	34,995
Options Villa	318,613	288,362
North Shore	661,153	736,942
A New Life	180,922	174,427
Options West	19,870	17,264
Options East	8,622	7,696
Hope Villa	120,095	88,510
Respite	108,698	16,251
Crisis Services	18,146	1,920
Support Services:		
Management and General	<u>67,762</u>	<u>28,256</u>
Total Expenses	1,733,544	2,159,506
Increase (decrease) in Unrestricted Net Assets	(120,940)	39,956
Net assets - beginning of period	<u>(24,857)</u>	<u>(64,813)</u>
Net assets - end of period	<u>\$ (145,797)</u>	<u>\$ (24,857)</u>

OPTONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

Expenses	Ferd											2004 Total	2003 Total
	House Community Services	Family Support	Options Villa	North Shore	A New Life	Options West	Options East	Hope Villa	Respite	Casas Services	Management and General		
Auto mileage	\$ 1,351	\$ -	\$ 2,361	\$ 26,750	\$ 1,405	\$ -	\$ -	\$ 1,130	\$ 10	\$ -	\$ 199	\$ 33,206	\$ 45,980
Bad debts													
Bank and billing charges	144	196	1,021	10				20			1,283	2,674	3,476
Books and subscriptions	477		2,302	3,326				450			75	6,630	6,102
Business gifts			239	850				139				1,248	759
Clothing	1,124											1,124	7,167
Contract services	16,895	42,349	39,762	51,900	2,090			488			5,315	156,799	181,538
Depreciation	673		21,556	4,074		6,083	2,684	1,233				35,708	39,244
Donations													37
Education and newsletter	147		1,200	705	250							2,302	4,769
Educational supplies					44							44	
Employee benefits				25	25			29				79	1,906
Employee education								302				302	
Food supply	10,044		1,049	41,535	9,987			12,599	611	34		75,859	104,457
Insurance	9,259		16,564	42,999	12,049	1,255	760	7,756	2,545	212		93,399	110,941
Interest			19,466								377	19,843	14,921
Lease	13,200		85	12,744	25,831			7,200	3,300			62,360	94,193
Meals and entertainment			998	995	355			388	712		940	4,388	5,279
Medical supply	134											134	478
Minor equipment and furnishings			570	594					207			2,632	9,475
Miscellaneous	1,441		42	3,005			1,252	242			7,658	12,388	17,103
Office expense	924		3,042	4,294	529	91	41	1,556	18			10,995	14,760
Payroll taxes	12,233		13,136	25,495	8,898			4,498	6,677	356	196	71,489	76,802
Professional and legal	5,226		1,592	188							6,909	13,915	43,849
Recreation and allowances	664											664	3,352
Repairs and maintenance	13,585		30,867	34,147	1,274	2,180	2,609	6,800	211		3,960	103,633	103,369
Salaries	75,393		105,823	333,253	117,162	510		63,724	92,255	10,933	40,025	839,078	1,020,674
Supplies	2,185	213	405	6,655	438			944	411			11,251	27,632
Taxes and licenses			2,099	1,671	425	479	125				825	5,624	3,850
Telecommunications	1,338		4,584	11,206	160			2,631	823			20,742	33,658
Transportation	12,900		7,950	53,993					500	6,611		81,954	120,901
Travel		1,429							418			1,847	2,813
Utilities	6,139		33,891	739		9,267	1,751	7,946				59,733	60,021
Total	\$ 185,476	\$ 44,187	\$ 318,613	\$ 661,153	\$ 180,922	\$ 19,870	\$ 8,622	\$ 120,095	\$ 108,698	\$ 18,146	\$ 67,762	\$ 1,733,544	\$ 2,159,506

The accompanying notes are an integral part of this statement.

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ (120,940)	\$ 39,956
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation	35,705	39,245
Increase in resident funds	(107,424)	(14,256)
(Increase) decrease in contracts receivable	88,432	(107,765)
(Increase) decrease in other current assets	(2,393)	6,534
Increase (decrease) in accounts payable	50,558	(1,712)
Increase (decrease) in due to related companies	(94,572)	237,921
Increase (decrease) in accrued liabilities	1,577	(698)
Increase in resident funds payable	<u>107,424</u>	<u>14,256</u>
Net cash provided by (used in) operating activities	(41,633)	213,481
<u>Cash Flows From Investing Activities</u>		
Purchase of property	<u>(3,809)</u>	<u>(164,350)</u>
Net cash used by investing activities	(3,809)	(164,350)
<u>Cash Flows From Financing Activities</u>		
Loan proceeds-community development block grant program	-	40,000
Loan proceeds-bank loan	88,000	-
Loan payments-community development block grant program	(11,337)	(11,550)
Loan payments-bank loan	<u>(15,008)</u>	<u>(11,209)</u>
Net cash provided by financing activities	61,655	17,241
Increase (decrease) in Cash and Cash Equivalents	16,213	66,372
Cash and cash equivalents, beginning of period	<u>78,523</u>	<u>12,151</u>
Cash and cash equivalents, end of period	<u>\$ 94,736</u>	<u>\$ 78,523</u>
Supplemental disclosure - cash paid for interest	<u>\$ 19,843</u>	<u>\$ 14,921</u>

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

1. Summary of Significant Accounting Policies

(a) Organization and Nature of Activities

Options Foundation, Inc. is a private, non-profit organization whose purpose is to provide services for people with behavioral health requirements primarily in Baton Rouge, Louisiana.

Options Foundation, Inc. is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code, and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, Options Foundation, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for 2004 or 2003.

(b) Basis of Accounting

The Organization maintains its books and prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues are recognized when earned, and expenses are recognized when incurred.

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 their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(b) Net Assets

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of contributor imposed restrictions. The Organization's net assets balance is comprised only of net assets for general use with no restrictions.

(d) Other Accounting Policies

Cash Equivalents

The Organization considers all highly liquid investments, including certificates of deposit with maturity of three months or less, to be cash equivalents.

Contributions

The Organization follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

Accounts Receivable

Management believes that all amounts receivable as of the balance sheet dates are collectible and thus no allowance for doubtful accounts is necessary.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

2. Fixed Assets

Fixed assets acquired by Options Foundation, Inc. are considered owned by the Organization. However, State funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State has a reversionary interest in those assets purchased with its funds, which have a cost of \$500 or more, and an estimated useful life of at least two years.

Options Foundation, Inc. follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

<u>Estimated Useful Life</u>	
Buildings & Improvements	30 years
Furniture and equipment	5-12 years
Transportation equipment	5 years

Depreciation expense was \$35,708 and \$39,244 for the years ended June 30, 2004 and 2003, respectively.

3. Resident Funds Payable/ Representative Payee Account

Options Foundation, Inc., as a non-profit organization, has been designated a representative payee by the Social Security Administration for certain individuals participating in Options' residential programs (Options Villa, Options West, A New Life). As representative payee, Options receives Social Security and/or Supplemental Security Income (SSI) payments for individuals who cannot manage, or direct someone else to manage his or her money. The main responsibility of the payee is to use the funds to pay for the current and foreseeable needs of the beneficiary and to save any remaining funds for the beneficiary. A fee is collected by Options for performing this function. Because the funds are maintained and not owned by Options Foundation, Inc., the cash balance has been recorded as an asset on the financial statements with a corresponding liability of an equal amount.

4. Contracts Receivable

Receivables at years ended June 30, 2004 and 2003, are summarized below.

	<u>2004</u>	<u>2003</u>
DHH Office of Mental Health	\$40,269	\$18,138
Department of Social Services, Office of Community Services	12,426	80,704
Office of Housing and Urban Development	85,954	160,569
Office of Youth Development	77,033	54,550
Other	<u>10,800</u>	<u>953</u>
	<u>\$ 226,482</u>	<u>\$ 314,914</u>

5. Accrued Vacation/Leave - Employee Benefits

Options Foundation, Inc.'s employees earn paid vacation after successful completion of three months of initial period of employment. Vacation and leave accrue at various rates depending upon length of services and hours worked per month. Vacation/Leave must be used and is not available to be paid out to employees. There was no accrued vacation at June 30, 2004 and 2003.

6. Commitments and Contingencies

Options Foundation, Inc. receives a substantial portion of its revenues (approximately 80%) from federal and state government grants and contracts, many of which are subject to audit by the federal or state government. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to, and audited by, the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs.

Management is not aware of any pending audits or proposed adjustments, and no provision for estimated retroactive adjustments have been made.

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

7. Concentration of Credit Risk

Options Foundation, Inc. maintains several bank accounts at one bank. The Federal Deposit Insurance Corporation (FDIC) up to \$100,000 insures accounts. Cash at these institutions did not exceed federally insured limits at June 30, 2004.

8. Leased Facilities

Facilities used by Options Foundation, Inc. for Terri House were leased for \$13,200 and \$47,400 for the years ended June 30, 2004 and 2003, from a related organization. The current lease began July 1, 2003, and is renewable annually and requires a 30-day notice to terminate.

Facilities used by Options Foundation, Inc. for Northshore Options Program were leased for \$12,744 and \$13,762 for the years ended June 30, 2004 and 2003 from the State of Louisiana Department of Health and Hospitals. The one-year lease is renewable annually and requires a 30-day notice to terminate.

Facilities used by Options Foundation, Inc. for A New Life Program were leased for \$25,831 and \$25,831 for the years ended June 30, 2004 and 2003 from the State of Louisiana Department of Health and Hospitals. The one-year lease is renewable annually and requires a 30-day notice to terminate.

Facilities used by Options Foundation, Inc. for Hope Villa Program were leased for \$7,200 and \$7,200 for the years ended June 30, 2004 and 2003 from a related party. The current lease began July 1, 2003, and is renewable annually and requires a 30-day notice to terminate.

Facilities used by Options Foundation, Inc. for Respite Program were leased for \$3,300 for the year ended June 30, 2004 from a related party. The one-year lease is renewable annually and requires a 30-day notice to terminate.

9. Related Party Transactions

Options Foundation, Inc. has contracted with a related organization to provide administrative and clinical support for \$98,349 and \$146,724 for the years ended June 30, 2004 and 2003. Another related company provided construction, repairs and maintenance services for \$26,871 and \$152,954 for the year ended June 30, 2004 and 2003. Another related company provided transportation for \$63,054 and \$76,568 for the years ended June 30, 2004 and 2003. Additional transportation costs were paid to a separate related company amounting to \$18,900 and \$44,333 for the years ended June 30, 2004 and 2003. Options Foundation, Inc. also had a contract with a related organization under which Options Foundation, Inc. provides meals to individuals involved in a program managed by the related organization. Revenue associated with this contract totaled \$-0- and \$27,645 for the years ended June 30, 2004 and 2003, and is included in other income. Options Foundation, Inc. paid \$11,970 to a related party for computer repairs, maintenance and support for the year ended June 30, 2004.

Options Foundation, Inc. leased space for two of its programs from a related organization for \$20,400 and \$54,600 for the years ended June 30, 2004 and 2003.

The President of Options Foundation, Inc. owns 100% of the related organizations, with the exception of the related organization providing construction, repairs and maintenance, which is owned 100% by the president's son.

10. Allowance for doubtful accounts - contracts receivable

Uncollectable contracts receivable are charged directly to earnings when they are determined to be uncollectable. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

11. Notes Payable

Notes payable consist of the following at June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
<p>Note dated February 10, 1999 with an original balance of \$250,000, maturing May 10, 2005. Principal and interest, at 7%, is repayable in 74 equal installments of \$2,260.86 each, commencing on March 10, 1999 and continuing monthly thereafter, with one final balloon payment consisting of the remaining amount of principal and any accrued interest due, payable on May 10, 2005. The loan is secured by land, buildings and deposit account. Less: current maturities Long-term debt, less current portion</p>	<p>\$ 189,355 <u>(189,355)</u> \$ 0</p>	<p>\$ 202,496 <u>(13,380)</u> \$ 189,116</p>
<p>Note dated September 14, 2000 with an original balance available of \$171,000, maturing April 1, 2021. The loan is a principal only (no interest) loan for a term of twenty years, payable in monthly installments of \$712.50 beginning April 1, 2001. The loan is secured by a first mortgage on the subject property listed as 143 & 145 N. 24th street and 2386 Convention St., Baton Rouge, LA. The source of the loan is Federal grant funds available under the Community Development Block Grant (CDBG) Program, as provided to the City of Rouge-Parish of East Baton Rouge under grant agreements with the U.S. Department of Housing and Urban Development. The loan proceeds are restricted to property acquisition and rehabilitation construction costs. Less: current maturities Long-term debt, less current portion</p>	<p>\$ 143,426 <u>(8,550)</u> \$ 134,876</p>	<p>\$ 151,763 <u>(8,550)</u> \$ 143,213</p>
<p>Note dated June 14, 2002 with an original balance available of \$54,000, maturing November 1, 2020. The loan is a principal only (no interest) loan for a term of twenty years, payable in monthly installments of \$250.00 beginning November 1, 2002. The loan is secured by a first mortgage on the subject property listed as 150 North 26th Street, Baton Rouge, LA. The source of the loan is Federal grant funds available under the Community Development Block Grant (CDBG) Program, as provided to the City of Rouge-Parish of East Baton Rouge under grant agreements with the U.S. Department of Housing and Urban Development. The loan proceeds are restricted to property acquisition and rehabilitation construction costs. As of June 30, 2004, \$52,000 had been disbursed for the purchase of property. Less: current maturities Long-term debt, less current portion</p>	<p>\$ 47,000 <u>(3,000)</u> \$ 44,000</p>	<p>\$ 50,000 <u>(3,000)</u> \$ 47,000</p>

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003

11. Notes Payable (continued)

Note dated July 7, 2003 with an original balance available of \$88,000, maturing July 15, 2023. Principal is first repayable in 60 equal installments of \$656.20 each, commencing August 15, 2003. Starting August 15, 2008, principal is repayable in 179 equal installments of \$635.67 each. The final principal payment of \$634.35 will be made on July 15, 2023. For the first sixty months, the interest rate on this note will be 6.5%. Thereafter, the interest rate is subject to change based on changes in an independent index, the Weekly Average Yield on U.S. Treasury Securities. The variable interest rate on this note can be no less than 6% and no higher than 14.5%. The loan is secured by Collateral Mortgage Note dated July 7, 2003.
Less: current maturities
Long-term debt, less current portion

	<u>2004</u>	<u>2003</u>
	\$ 86,133	\$ -
	<u>(2,356)</u>	<u>-</u>
	<u>\$ 83,777</u>	<u>\$ -</u>

Estimated principal maturities on long-term debt are as follows:

June 30, 2005	\$ 217,324
June 30, 2006	14,232
June 30, 2007	14,411
June 30, 2008	14,603
June 30, 2009	14,807
Thereafter	<u>190,537</u>
	<u>\$ 465,914</u>

12. Termination of program

As of September 19, 2003, the Terri House program ended and the participants were placed at other facilities not related to Options Foundation, Inc.

13. Restrictions on Net Assets

Grants and funds received by Options Foundation, Inc. are temporarily restricted in that the funds are generally program specific and to be spend in accordance with grant guidelines. All temporarily restricted funds were disbursed during the year.

14. Reclassification of Financial Statement Amounts

Certain 2003 financial statement amounts have been reclassified to conform with the 2004 presentation.

OPTIONS FOUNDATION INC.
SCHEDULE OF FEDERAL/STATE FINANCIAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2004 AND 2003

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>CFDA PASS-THROUGH GRANTOR'S NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>	
		<u>FEDERAL</u>	<u>STATE</u>
DHH Office of Mental Health	CFDA 93.958	\$ 46,939	\$ -
DHH Office of Mental Health	CFMS 601086	-	23,916
DHH Office of Mental Health	CFMS 601617	-	22,914
DHH Office of Mental Health	CFDA 14.235	137,111	-
LA Department of Public Safety and Corrections	CFMS 573761	-	652,939
Office of Community Services Residential Treatment Service for Foster Children	CFDA 93.645	151,612*	64,976
HUD/City of Baton Rouge Supportive Housing Program	LA 48B104004	<u>208,593</u>	<u>-</u>
TOTALS		<u>\$ 544,255</u>	<u>\$ 764,745</u>

*Estimated Amount of Federal Expenditures

The accompanying notes are an integral part of this statement.

DAIGREPONT & BRIAN

A Professional Accounting Corporation

Certified Public Accountants

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
Options Foundation, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Options Foundation, Inc., as of June 30, 2004 and 2003, and for the years then ended, and have issued our report thereon dated October 22, 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 Options Foundation, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Options Foundation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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, the Legislative Auditor, and federal awarding agencies and is not intended to be 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.

Daigrepont & Brianapac

Baton Rouge, Louisiana
October 22, 2004

DAIGREPONT & BRIAN

A Professional Accounting Corporation

Certified Public Accountants

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

Board of Directors
Options Foundation, Inc.
Baton Rouge, Louisiana

Compliance

We have audited the compliance of Options Foundation, Inc. (a non-profit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2004 and 2003. Options Foundation, Inc.'s major federal programs are identified in the Schedule of Federal Awards in the Supplementary Information Section. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Options Foundation Inc.'s management. Our responsibility is to express an opinion on Options Foundation Inc.'s compliance based on our audit.

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 Options Foundation, Inc.'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 Options Foundation, Inc.'s compliance with those requirements.

In our opinion, Options Foundation, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2004 and 2003.

Internal Control Over Compliance

The management of Options Foundation, Inc. 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 Options Foundation, Inc.'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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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, regulation, contracts and grants caused by error or fraud 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Legislative Auditor, and federal awarding agencies and is not intended to be 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.

Daigrepont & Brian a Pac

October 22, 2004
Baton Rouge, Louisiana