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Children Unlimited, Inc.
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 2-2-05

EDWARDS & WADE, CPAs

A PROFESSIONAL CORPORATION

Children Unlimited, Inc.
For the Year Ended June 30, 2004

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EDWARDS & WADE

Certified Public Accountants
A Professional Accounting Corporation
Members: AICPA / Society of LCPA's

Board of Directors
Children Unlimited, Inc.
Ruston, LA 71270

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

We conducted our audit in accordance with generally accepted auditing standards 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2004, on our consideration of Children Unlimited, Inc.'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.

Edwards & Wade

Ruston, Louisiana
December 20, 2004

Children Unlimited, Inc.
Statement of Financial Position
As of June 30, 2004

ASSETS	
Current assets:	
Cash and cash equivalents	\$34,235
Accounts receivable-grants	54,150
Prepaid expenses	<u>1,623</u>
Total current assets	90,008
Noncurrent Assets:	
Furniture and equipment, net	<u>31,327</u>
TOTAL ASSETS	<u>\$121,335</u>
LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable	\$1,971
Accrued expenses	10,192
Line of credit	14,001
Due to related party	23,204
GMAC loan payable	<u>6,466</u>
Total current liabilities	55,834
Net assets:	
Unrestricted	34,174
Temporarily restricted	31,327
Permanently restricted	<u>0</u>
Total net assets	65,501
TOTAL LIABILITIES AND NET ASSETS	<u>\$121,335</u>

See accompanying auditor's report and notes to financial statements.

Children Unlimited, Inc.
Statement of Activities
For the Year Ended June 30, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE, GAINS, AND OTHER SUPPORT				
Unrestricted revenues, gains, and other support	11,498			11,498
Intergovernmental revenues, gains and other support	317,008			317,008
Net assets released from restrictions	<u>11,319</u>	<u>(11,319)</u>		<u>0</u>
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	<u>339,825</u>	<u>(11,319)</u>	<u>0</u>	<u>328,506</u>
EXPENSES AND LOSSES				
Unrestricted expenses and losses	<u>362,766</u>			<u>362,766</u>
TOTAL EXPENSES	<u>362,766</u>	<u>0</u>	<u>0</u>	<u>362,766</u>
Change in net assets	(22,941)	(11,319)	0	(34,260)
Net assets as of beginning of year	<u>57,115</u>	<u>42,646</u>	<u>0</u>	<u>99,761</u>
Net assets as of end of year	<u><u>34,174</u></u>	<u><u>31,327</u></u>	<u><u>0</u></u>	<u><u>65,501</u></u>

See accompanying auditor's report and notes to financial statements.

Children Unlimited, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2004

Cash Flows from Operating Activities	
Receipts from customers and users	\$306,188
Receipts from related party	51,718
Payments to suppliers	(126,464)
Payments to employees	(213,969)
Payments to related party	0
Net Cash Provided by Operating Activities	<u>17,473</u>
Cash Flows from Noncapital Financing Activities	
None	<u>0</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	<u>(4,415)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,415)</u>
Cash Flows from Investing Activities	
None	<u>0</u>
Net Cash Provided by Investing Activities	<u>0</u>
Net Increase in Cash and equivalents	13,058
Cash and equivalents, Beginning of Year	<u>21,177</u>
Cash and equivalents, End of Year	<u><u>\$34,235</u></u>
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities	
Operating income	(\$34,260)
Depreciation expense	15,734
(Increase) decrease in accounts receivable	(22,318)
(Increase) decrease in due from related party	28,514
(Increase) decrease in prepaid expenses	(10)
Increase (decrease) in accounts payable	1,709
Increase (decrease) in accrued liabilities	4,834
Increase (decrease) in line of credit liability	14,001
Increase (decrease) in due to related party	23,204
Increase (decrease) in long-term liabilities	(13,935)
Net Cash Provided by Operating Activities	<u>\$17,473</u>
Reconciliation of total cash and cash investments:	
Current assets - cash and cash investments	<u>\$34,235</u>
Total cash and cash investments	<u><u>\$34,235</u></u>

The accompanying notes are an integral part of this statement.

Children Unlimited, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2004

	<u>Children Services</u>	<u>Management and General</u>	<u>Total</u>
Automobile expense	\$24,075		\$24,075
Advertising	2,058		2,058
Interest expense	1,161		1,161
Insurance	7,406		7,406
Licenses and permits	221		221
Telephone and pagers	2,681		2,681
Postage	117		117
Professional fees	6,890		6,890
Rent	15,130		15,130
Supplies	5,171		5,171
Miscellaneous	2,109		2,109
Accrued payroll adjustment	6,148		6,148
Salaries and wages	213,969		213,969
Taxes	19,424		19,424
Utilities	2,572		2,572
Management fee allocation		\$37,900	37,900
Depreciation		15,734	15,734
Total expenses before allocation	309,132	53,634	362,766
Allocate Management and General	53,634	(53,634)	0
TOTAL EXPENSES	<u><u>\$362,766</u></u>	<u><u>\$0</u></u>	<u><u>\$362,766</u></u>

See accompanying auditor's report and notes to financial statements.

Children Unlimited, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Children Unlimited, Inc. was established in 1987 and received its tax exempt status as a 501(c)(3) organization in October, 1990, to promote the general welfare of all mentally challenged persons. Its programs are designed to assist and train infant clients within the community. The principal programs consist of temporary care of clients and early intervention. In 2000, Children Unlimited, Inc.'s board (previously named People Unlimited, Inc.) decided to limit the scope of services to those provided to children only. Staff of Children Unlimited, Inc. established two separate corporations to bid on the contracts for services which Children Unlimited, Inc. declined to bid.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash with an initial maturity of three months or less.

Restricted and Unrestricted Revenue and Support

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.

Donated Services

Children Unlimited, Inc. does not receive a significant amount of donated services.

Lease Commitment

Rent expense is recognized on a straight line basis over the term of the lease, which is not a capital lease.

Children Unlimited, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2004

Fixed Assets

Fixed assets are stated at cost. The organization capitalized expenses on property and equipment that have a useful life longer than one year. Depreciation is provided on the straight line method over the estimated useful lives of the assets with respect to major classes of depreciable assets as follows:

Furniture and fixtures	5	years
Vehicle	5	years
Machinery and equipment	5 - 7	years

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.

2. CASH AND CASH EQUIVALENTS

At June 30, 2004, the organization has cash and cash equivalents (book balances) totaling \$34,235 as follows:

Demand deposits	\$34,235
Time deposits	<u>0</u>
Total	<u><u>\$34,235</u></u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2004, the organization has \$12,034 in deposits (collected bank balances). These deposits are secured from risk by \$12,034 of federal deposit insurance and \$0 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

3. PROPERTY AND EQUIPMENT

Unrestricted - all capitalized land, buildings, or equipment as of June 30, 2004 are unrestricted.

Temporarily restricted - the organization did not purchase any property and equipment that would be restricted temporarily for the year ended June 30, 2004.

Children Unlimited, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2004

Permanently restricted - there were no permanently restricted land, buildings, or equipment as of June 30, 2004.

The following is a schedule of additions and deletions for the year ended June 30, 2004:

	Balance 6/30/03	Additions	Deletions	Balance 6/30/04
Equipment	\$79,110	\$4,415		\$83,525
Vehicle	110,692			110,692
Less accumulated depreciation	<u>(147,156)</u>	<u>(15,734)</u>		<u>(162,890)</u>
Total	<u>\$42,646</u>	<u>(\$11,319)</u>	<u>\$0</u>	<u>\$31,327</u>

Additions include the purchase of hearing test machine. The Organization maintains a threshold level of \$500 or more for capitalizing capital assets.

4. COMPENSATED ABSENCES

Sick leave is earned by full-time employees at the rate of 1.85 hours per pay period. Sick leave may be accrued but when the balance is greater than 48 hours, the Company buys back to excess hours. Personal leave is earned by full-time employees at the rate of 3.08 hours per pay period or 4.62 hours per pay period after 5 years of employment. Personal leave may be accrued but when the balance is greater than 80 hours or 120 hours after 5 years of employment, the Company buys back to excess hours.

Accrued compensated absences consist of unpaid sick leave and personal leave as follows:

Sick leave	\$605
Personal leave	<u>340</u>
Total	<u>\$945</u>

5. FUNCTIONAL EXPENSES

Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated by various statistical bases.

6. PROGRAMS

The organization's principal programs and primary funding sources are:

Children Unlimited, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2004

Early Intervention - this program's income is derived from the Louisiana Department of Health and Hospitals and U.S. Department of Education. This program provides training and therapeutic services to disabled infants, ages 0 to 3 years.

7. TAX-EXEMPT STATUS

The organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. Contributions to the organization are tax deductible within the limitations prescribed by the Code.

8. RESTRICTIONS ON NET ASSETS

There are no restricted assets.

9. LEASES

There were no capital leases at June 30, 2004. The building and copier are rented on a month to month basis.

10. SCHEDULE OF STATE GRANT FINANCIAL ASSISTANCE

<u>Grant/Program Title</u>	<u>Grant I.D. number</u>	<u>Award Amount</u>	<u>Revenue Recognized</u>	<u>Expenditure</u>
Louisiana Department Office for Citizens with Developmental Disabilities				
Early Intervention	CFMS 586375	\$37,909	\$37,909	\$37,909

11. SCHEDULE OF REVENUE

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Children services	\$279,099	\$37,909	\$317,008

Children Unlimited, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2004

12. RELATED PARTY TRANSACTIONS

The following is a summary of the due from related party transactions for the year ended June 30, 2004:

Balance, June 30, 2003	\$28,514
Payments received	<u>(28,514)</u>
Balance, June 30, 2004	<u>\$0</u>

The following is a summary of the due to related party transaction for the year ended June 30, 2004:

Balance, June 30, 2003	\$0
Additions	23,204
Repayments	<u>0</u>
Balance, June 30, 2004	<u>\$23,204</u>

SUPPLEMENTAL INFORMATION SCHEDULES

EDWARDS & WADE

Certified Public Accountants
A Professional Accounting Corporation
Members: AICPA / Society of CPA's

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

Board of Directors
Children Unlimited, Inc.
Ruston, Louisiana

We have audited the financial statements of Children Unlimited Inc., a nonprofit organization, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 20, 2004. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

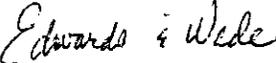
Compliance

As part of obtaining reasonable assurance about whether Children Unlimited 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Children Unlimited 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors and management of Children Unlimited Inc., the Legislative Auditor (State of Louisiana), and the applicable state grantor 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.


Ruston, Louisiana
December 20, 2004

Children Unlimited, Inc.
Summary of Prior Year Findings
For the Year Ended June 30, 2004

A. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

03-1. Upon review of the grant agreements for the year ended June 30, 2003, it was determined that Children Unlimited, Inc. did not name OCDD as additional insured on its liability insurance.

Recommendation: All contract provisions be complied with immediately upon acceptance.

Conclusion: Resolved

B. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

None

C. MANAGEMENT LETTER

None

Children Unlimited, Inc.
 Schedule of Findings And Questioned Costs
 For the Year Ended June 30, 2004

We have audited the financial statements of Children Unlimited, Inc. as of and for the year ended June 30, 2004, and have issued our report thereon dated December 20, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 20, 2004, resulted in an unqualified opinion.

A. Summary of Audit Results

1. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ___ Yes X No Reportable ___ Yes X No

Compliance

Compliance Material to Financial Statements ___ Yes X No

2. Federal Awards

Internal Control

Material Weaknesses ___ Yes X No Reportable ___ Yes X No

Type of Opinion On Compliance
 For Major Programs

Unqualified ___ Qualified ___
 Disclaimer ___ Adverse ___

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?
 ___ Yes X No

3. Identification of Major Programs:

CFDA Number(s)	Name of Federal Program (or Cluster)
N/A	

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 300,000

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133? ___ Yes X No

B. Financial Statements Findings

None

C. Federal Award Findings and Questioned Costs

None

CHILDREN UNLIMITED, INC.
1201 ATKINS ROAD
RUSTON, LA 71270
(318)255-9105

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2004

Children Unlimited, Inc. has no findings for the year ended June 30, 2004.