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**PORT CITY ENTERPRISES, INC.**

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**FINANCIAL STATEMENTS**

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**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 11-10-04

**PORT CITY ENTERPRISES, INC.**  
**JUNE 30, 2004 AND 2003**  
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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Port City Enterprises, Inc.

I have audited the accompanying statements of financial position of Port City Enterprises, Inc. (a non-profit organization) 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 the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audits 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 I 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. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Port City Enterprises, Inc. as of June 30, 2004, and 2003, and the changes in 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*, I have also issued a report dated October 8, 2004, on my consideration of Port City Enterprises, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants, and on internal control over financial reporting. 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 my audits.



Baton Rouge, Louisiana  
October 8, 2004

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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  
Port City Enterprises, Inc.

I have audited the financial statements of Port City Enterprises, Inc. (a nonprofit organization) as of and for the years ended June 30, 2004, and 2003, and have issued my report thereon dated October 8, 2004. I conducted my 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.

Compliance

As part of obtaining reasonable assurance about whether Port City Enterprises, 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 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audits, I considered Port City Enterprises, 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. My 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 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. I noted no matters involving the internal control structure and its operation that I consider to be material weaknesses as defined above.

This report is intended for the information of the board of directors, management, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to be 'C. H. ...', written over the text below.

Baton Rouge, Louisiana  
October 8, 2004

**PORT CITY ENTERPRISES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2004 AND 2003**

ASSETS	<u>2004</u>	<u>2003</u>
Current Assets		
Cash	\$ 271,655	\$ 216,510
Accounts receivables	<u>40,077</u>	<u>41,653</u>
Total current assets	<u>311,732</u>	<u>258,163</u>
Property, plant, and equipment		
Greenhouse	8,732	7,982
Lawn equipment	17,554	18,071
Office furniture and equipment	10,188	9,538
Vehicles	54,610	54,610
Leasehold improvements	<u>23,469</u>	<u>23,469</u>
	114,555	113,671
Less accumulated depreciation and amortization	<u>(71,517)</u>	<u>(62,848)</u>
Net property, plant, and equipment	<u>43,037</u>	<u>50,823</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 354,769</u></b>	<b><u>\$ 308,986</u></b>
LIABILITIES AND NET ASSETS	<u>2004</u>	<u>2003</u>
Current liabilities		
Accounts payable	\$ 2,085	\$ 1,627
Accrued expenses	-	14
Payroll withholdings	<u>42</u>	<u>(12)</u>
Total current liabilities	<u>2,127</u>	<u>1,629</u>
Net assets		
Unrestricted	<u>352,643</u>	<u>307,357</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 354,769</u></b>	<b><u>\$ 308,986</u></b>

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

**PORT CITY ENTERPRISES, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2004, AND 2003**

	<b>2004</b>	<b>2003</b>
<b>SUPPORT AND REVENUE</b>		
Support:		
Contributions	\$ 16,417	\$ 16,864
Total support	16,417	16,864
Revenue:		
Contract/grant funds	357,336	337,313
Interest income	3,570	2,201
Miscellaneous income	2,885	3,118
Total revenue	363,791	342,632
Total support and revenue	380,208	359,496
<b>EXPENSES</b>		
Program services	293,398	299,404
Supporting services-management and general	41,525	38,489
	334,923	337,893
Change in net assets	45,285	21,603
Net assets, beginning of the year	307,357	285,754
Net assets, end of the year	\$ 352,642	\$ 307,357

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

**PORT CITY ENTERPRISES, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003**

	<b>2004</b>	<b>2003</b>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 45,285	\$ 21,603
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	12,890	14,265
(Gain) loss on disposal of property	(104)	-
(Increase) decrease in accounts receivable	1,576	(4,864)
(Increase) decrease in prepaid assets	-	646
Increase (decrease) in accounts payable	457	151
Increase (decrease) in accrued expenses	(14)	(1,342)
Increase (decrease) in payroll withholdings	54	(2,659)
Total adjustments	14,860	6,198
Net cash provided (used) by operating activities	60,145	27,801
Cash flows from investing activities		
Proceeds from disposal of fixed assets	400	-
Purchases of fixed assets	(5,400)	(2,887)
Net cash provided (used) by investing activities	(5,000)	(2,887)
Net increase (decrease) in cash and equivalents	55,145	24,914
Cash and equivalents at beginning of the year	216,510	191,596
Cash and equivalents at end of the year	\$ 271,655	\$ 216,510

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

**PORT CITY ENTERPRISES, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2004, AND 2003**

	<u>2004</u>			<u>2003</u>		
	Program Services	Management and General	Totals	Program Services	Management and General	Totals
Advertising	\$ -	\$ 278	\$ 278	\$ -	\$ 98	\$ 98
Answering service	375	-	375	-	-	-
Bank charges	-	87	87	-	90	90
Computer software	1,320	-	1,320	-	-	-
Depreciation expense	11,601	1,289	12,890	12,839	1,427	14,265
Directors' meetings	-	347	347	-	245	245
Facilities costs	10,800	1,200	12,000	10,800	1,200	12,000
Insurance	20,092	3,507	23,599	21,360	3,042	24,402
Internet service	1,195	-	1,195	-	-	-
Licenses	-	655	655	-	620	620
Medical services	-	-	-	15	-	15
Miscellaneous expenses	761	378	1,139	321	207	528
Pager and cell phone	2,995	-	2,995	1,852	-	1,852
Payroll taxes	15,235	1,618	16,853	15,662	1,550	17,212
Pest control	329	37	366	329	37	366
Postage	-	392	392	-	378	378
Professional fees	6,560	6,560	13,120	5,793	5,793	11,585
Repairs	2,234	50	2,284	5,796	55	5,852
Salaries	197,122	20,939	218,061	202,765	20,071	222,836
Security	381	42	423	479	53	532
Services for clients	1,332	-	1,332	1,936	-	1,936
Staff training	315	-	315	298	-	298
Staff travel	7,747	-	7,747	7,839	-	7,839
Supplies	11,241	3,951	15,192	9,246	3,394	12,639
Telephone	1,763	196	1,959	2,076	231	2,307
Total expenses	<u>\$ 293,398</u>	<u>\$ 41,525</u>	<u>\$ 334,923</u>	<u>\$ 299,404</u>	<u>\$ 38,489</u>	<u>\$ 337,893</u>

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

**PORT CITY ENTERPRISES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004 AND 2003**

**NOTE 1- Summary of Significant Accounting Policies**

Basis of Accounting

The financial statements of Port City Enterprises, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Financial Statement Presentation

Port City Enterprises, Inc. follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profits 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.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Donated Facilities Costs

The West Baton Rouge Parish Police Jury provides facilities, including utilities and building maintenance, for the use of Port City Enterprises, Inc. This provision is made at no cost to the organization. Management has estimated that the fair market value of the facility usage, utilities and building maintenance at \$12,000. The financial statements reflect \$12,000 of support from this in-kind donation and \$12,000 of expense in connection with facility costs.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support and revenue and expenses. Actual results could differ from those estimates.

Expense Allocation

The costs of providing various programs and other activities have summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated between program and supporting services benefited.

All directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

**PORT CITY ENTERPRISES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2004 AND 2003**

Nature of Activities

Port City Enterprises, Inc. is organized for the purpose of assisting people with developmental disabilities in finding and maintaining community based employment of their own choosing, to educate the public concerning the rights of individuals with disabilities and supported employment programs in general, to advocate for the employment of individuals with severe disabilities in community settings where the majority of co-workers are individuals without severe disabilities, and to act as an information clearinghouse for programs offering supported employment services regarding best practices, and policies and procedures specific to the State of Louisiana.

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Leasehold Improvements

Leasehold improvements are carried at cost. Amortization is computed using the straight-line method over the estimated useful lives of the respective improvements. When improvements are abandoned or otherwise disposed of, the cost and related accumulated amortization are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred.

**NOTE 2-Certificates of Deposit**

Certificates of deposit totaling \$80,265 and \$94,208 for 2004 and 2003, respectively, are included in cash in the accompanying financial statements. The certificates bear interest of .9% and 1.25% and .5% to 2.0% in 2004 and 2003, respectively, and have maturities of seven and twelve months and one to five months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

**NOTE 3-Fair Values of Financial Instruments**

The estimated fair values of the Organization's financial instruments are as follows:

Cash and certificates of deposit have carrying amounts of \$271,630 and \$191,596 and fair value of the same amounts in 2004 and 2003, respectively. Because of the short maturities of the certificates of deposit, the carrying amounts approximate fair values.

**NOTE 4-Business and Credit Concentrations**

Port City Enterprises, Inc.'s primary sources of revenue are from contracts administered and/or funded by the State of Louisiana and the United States government. During the years presented, approximately 67% and 66% of the Organization's revenues were derived from these sources in 2004 and 2003, respectively. All of the amounts listed as accounts receivable are from these sources.

**PORT CITY ENTERPRISES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004 AND 2003**

The Organization's clients, during the years presented, all reside within the state of Louisiana.

**ROY HEBERT**

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To the Senior Management and  
the Board of Directors  
Port City Enterprises, Inc.

In planning and performing my audit of the financial statements of Port City Enterprises, 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 the internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. (I previously reported on the organization's internal control over financial reporting in my report dated October 8, 2004.) This letter does not affect my report dated October 8, 2004, on the financial statements of Port City Enterprises, Inc.

I will review the status of these comments during my next audit engagement. I will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. My comments are summarized as follows:

**Organizational Structure**

The size of Port City Enterprises, Inc.'s accounting and administrative staff size precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remain actively involved in the financial affairs of the organization to provide oversight and independent review functions.

This comment is identical to the one made upon the completion of the audit for the year ended June 30, 2003, and is the only comment made in connection with that audit.

I wish to thank the Executive Director and her staff for their assistance during my audit.

This report is intended solely for the information and use of the Board of Directors, management, and the Legislative Auditor.



Baton Rouge, Louisiana  
October 8, 2004