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RESTORATION CENTER, INC.
MANSFIELD, LOUISIANA

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

RESTORATION CENTER, INC.
YEAR ENDED DECEMBER 31, 2008 AND 2007

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LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

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Sandra Harrington, CPA

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Restoration Center, Inc.
Mansfield, Louisiana

We were engaged to audit the accompanying statements of net assets of Restoration Center, Inc. (a nonprofit corporation - the Center) as of December 31, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Center's management.

During the years ended December 31, 2008 and 2007, the Center engaged in numerous related party transactions for which sufficient corroborating evidence, identifying the Center as a separate entity, could not be obtained. In addition, accounting controls over cash disbursements were inadequate.

As explained in the preceding paragraph, since the Center has insufficient reliable records to support certain transactions, and we were unable to satisfy ourselves concerning such transactions, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

The accompanying financial statements have been prepared assuming that the Center will continue as a going concern. As discussed in Note 10 to the financial statements, the Center has suffered recurring significant decreases in net assets and loss of funding which raise substantial doubt about the Center's ability to continue as a going concern. Management's plans in this regard also are described in Note 10. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards,* we have also issued our report dated October 15, 2009, on our consideration of Restoration Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 important for assessing the results of our audit.

Luffey, Huffman, Ragsdale & Soignier

(A Professional Accounting Corporation)

October 15, 2009

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RESTORATION CENTER, INC.

STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2008 AND 2007

ASSETS	2008	2007
Current assets:		
Cash	$ 15,980	$ 35,649
Grants receivable	12,411	20,318
Due from related parties	2,700	-
Property and equipment, net	21,978	19,462
TOTAL ASSETS	$ 53,069	$ 75,429

LIABILITIES AND NET ASSETS		
Current liabilities:		
Cash overdraft	$ -	$ 800
Accounts payable	8,716	-
Accrued liabilities	28,818	27,766
Due to related parties	42	15,297
Total current liabilities	37,576	43,863
Net assets, unrestricted	15,493	31,566
TOTAL LIABILITIES AND NET ASSETS	$ 53,069	$ 75,429

See accompanying notes to the financial statements.

RESTORATION CENTER, INC.

STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Revenues:		
Government grants - federal:		
Summer Feeding	$ 253,906	$ 101,704
Teen Pregnancy Prevention	103,992	146,573
After School for All	57,709	68,524
Donations	4,600	1,000
Other income	1,928	-
Total revenues	422,135	317,801
Expenses:		
Program services:		
Summer Feeding	207,875	86,731
Teen Pregnancy Prevention	139,514	165,302
After School for All	49,673	65,112
Supporting services:		
Management and general	41,146	20,286
Total expenses	438,208	337,431
Change in net assets	(16,073)	(19,630)
Net assets, unrestricted, beginning of year, restated (2007)	31,566	51,196
Net assets, unrestricted, end of year	$ 15,493	$ 31,566

See accompanying notes to the financial statements.

RESTORATION CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

	PROGRAM SERVICES			MANAGEMENT AND	
	SUMMER FEEDING	TPP	ASFA	GENERAL	TOTAL
Accounting fees	$ -	$ -	$ -	$ 15,696	$ 15,696
Audit fees	-	-	-	13,851	13,851
Contract services	-	108	-	-	108
Contributions	-	-	-	250	250
Depreciation	3,314	1,405	991	-	5,710
Facilities and equipment	32,495	25,010	7,283	-	64,788
Field trips	-	5,805	7,075	-	12,880
Fuel	10,176	5,948	525	-	16,649
Operations	-	-	-	5,340	5,340
Other supporting services	480	236	180	2,779	3,675
Payroll expenses	110,607	86,080	30,153	3,230	230,070
Speakers	-	500	-	-	500
Supplies	30,468	4,430	1,714	-	36,612
Transportation	20,335	9,000	1,530	-	30,865
Travel	-	992	222	-	1,214
Total expenses	$ 207,875	$ 139,514	$ 49,673	$ 41,146	$ 438,208

See accompanying notes to the financial statements.

RESTORATION CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

	PROGRAM SERVICES			MANAGEMENT AND GENERAL	TOTAL
	SUMMER FEEDING	TPP	ASFA		
Accounting fees	$ -	$ -	$ -	$ 4,216	$ 4,216
Contract services	26,528	3,266	396	2,453	32,643
Contributions	-	-	-	350	350
Depreciation	2,474	755	713	-	3,942
Enrichment	-	250	-	-	250
Facilities and equipment	11,357	25,167	8,857	100	45,481
Field trips	2,000	26,725	3,489	-	32,214
Fuel	1,839	4,908	193	216	7,156
Life skills	-	742	-	-	742
Operations	-	-	-	6,414	6,414
Other supporting services	-	-	-	674	674
Payroll expenses	18,194	91,620	42,614	3,125	155,553
Speakers	-	260	-	-	260
Supplies	15,212	7,609	2,887	-	25,708
Transportation	9,127	4,000	5,963	-	19,090
Travel	-	-	-	2,738	2,738
Total expenses	$ 86,731	$ 165,302	$ 65,112	$ 20,286	$ 337,431

See accompanying notes to the financial statements.

RESTORATION CENTER, INC.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Cash flows from operating activities:		
Change in net assets	$ (16,073)	$ (19,630)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,712	3,942
Decrease in grants receivable	7,907	27,107
Increase in due from related parties	(2,700)	-
Increase (decrease) in cash overdraft	(800)	133
Increase (decrease) in accounts payable	8,716	(4,623)
Increase in accrued liabilities	1,052	27,766
Increase (decrease) in due to related parties	(15,255)	15,297
Total adjustments	4,632	69,622
Net cash provided by (used in) operating activities	(11,441)	49,992
Cash flows from investing activities:		
Capital expenditures	(8,228)	(17,512)
Net cash used in investing activities	(8,228)	(17,512)
Net increase (decrease) in cash and cash equivalents	(19,669)	32,480
Cash, beginning of year, restated (2007)	35,649	3,169
Cash, end of year	$ 15,980	$ 35,649

There were no noncash investing or financing transactions.

See accompanying notes to the financial statements.

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Restoration Center, Inc. (the Center) is a private, nonprofit, faith-based community organization incorporated under the laws of the State of Louisiana. Restoration Center, Inc. counsels young teenagers concerning values and choices. It also supports several meal sites throughout DeSoto Parish, Louisiana, during the summer. The organization is supported primarily by a Temporary Assistance for Needy Families (TANF) grant, a Summer Food Service grant, and an After School for All grant through the Louisiana Department of Education.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation and basis of accounting
The financial statements of the Center have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. 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 for Not-for-Profit Organizations*. Under SFAS No. 117, the Center 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. The Center has not received any revenues or contributions with restrictions that would result in permanently restricted net assets. SFAS No. 117 also requires a not-for-profit organization to provide information about expenses by functional classifications.

Accounting estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

Cash and cash equivalents
For the purposes of the statement of cash flows, the Center considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The carrying value of cash approximates fair value because of the liquidity of those financial instruments. The Federal Deposit Insurance Corporation insures the checking accounts at each institution.

Property and equipment
Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment (Continued)
The Restoration Center follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of $100. Depreciation is computed using the straight-line method over the estimated useful life of each asset generally as follows:

General equipment	5 years
Office equipment	5 years
Office furniture	5 years
Computer equipment	3-5 years
Computer software	5 years
Kitchen equipment	5-7 years
Musical instruments	5 years

Tax-exempt status
The Center is a nonprofit corporation and is exempt from state and federal income taxes under Section 501(c) (3) of the Internal Revenue Code. No provision for income taxes has been made in these financial statements. However, income from certain activities not directly related to the tax-exempt purposes of the Center is subject to taxation as unrelated business income. The Center had no such income for this period.

Expense allocation
The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. The expenses were allocated based on the actual program and supporting services benefited.

Revenue and support
The Center receives its support primarily from the State of Louisiana, Department of Education. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted revenue and support.

Compensated absences
There are no provisions for vacation or sick leave, therefore compensated absences are not recorded in the financial statements.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment are as follows:

	2008	2007
General equipment	$ 5,033	$ 3,819
Office equipment	7,360	3,000
Office furniture	2,095	1,061
Computer equipment	6,877	5,545
Computer software	436	436
Kitchen equipment	8,235	7,947
Musical instruments	3,763	3,763
Total property and equipment	33,799	25,571
Less accumulated depreciation	(11,821)	(6,109)
Property and equipment, net	$ 21,978	$ 19,462

Depreciation expense for the years ended December 31, 2008 and 2007, was $5,712 and $3,942, respectively.

NOTE 4 – LEASES

The Center leases facilities for its programs from area churches. During the years ended December 31, 2008 and 2007, expenses totaled $34,100 and $14,607, respectively, which is included in program services in the accompanying statements of activities.

The Center also leases vehicles from others. See disclosure of these amounts in note 5.

NOTE 5 – RELATED PARTIES

Union Springs Baptist Church (the Church) of Mansfield, Louisiana, founded the Center. The Church's pastor is also the executive director of the Center. The Center employs the pastor's wife and other church members. There are also agreements between the Church and the Center whereby the Center leases facilities from the Church and pays the associated rent, utilities, and other expenses. These expenses are provided for under grant agreements as well. Additionally, the Church loans the Center funds when the Center's cash demands exceed cash on hand. As of December 31, 2008, the Church owed the Center $2,700 for overpayment in November. As of December 31, 2007, the Center owed the pastor $192 for miscellaneous expenses and the Church $15,105 for rent, utilities, and other expenses.

NOTE 5 – RELATED PARTIES (Continued)

Expenses for the years ended December 31, 2008 and 2007, include the following amounts paid or payable to the Church:

	2008	2007
Auto maintenance	$ 2,135	$ 4,800
Building maintenance	449	-
Equipment rental/maintenance	291	-
Facilities rent	34,100	14,607
Field trips	9,000	21,600
Food	-	275
Fuel	4,255	-
Janitorial	2,300	6,532
Mileage	1,530	1,280
Postage	600	200
Printing and copying	800	1,300
Salaries and wages	-	1,500
Supplies	-	1,500
Telephone	-	1,801
Utilities	8,750	16,150
Vehicle rent	8,000	11,773
Total	$ 72,210	$ 83,318

Expenses for the years ended December 31, 2008 and 2007, include the following amounts paid or payable to the executive director/pastor and his wife:

	2008	2007
Auto maintenance	$ -	$ 625
Building maintenance	187	-
Awards and grants	250	-
Field trips	2,600	7,200
Fuel	581	653
Meals	-	74
Mileage	10,336	3,146
Other costs	200	-
Salaries and wages	69,100	66,123
Supplies	556	500
Vehicle rent	6,000	3,000
	$ 89,810	$ 81,321

NOTE 6 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the Center's cash, grants receivable, amounts due to and from related parties, and accounts payable approximate fair value because of the short maturity of those instruments.

The carrying value of accrued liabilities is discussed in note 9.

NOTE 7 - RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 8 – RESTATEMENT

Beginning net assets at December 31, 2006, are restated to reflect checks outstanding at year-end, to correct various errors, and to convert beginning net assets to the accrual basis. In previous years, the financial statements were presented on the modified cash basis. The following schedule summarizes the changes:

Net assets at beginning of year, as originally stated	$36,054
Record outstanding checks	(23,992)
Record prior year receivables	47,425
Eliminate receivable from bank	(3,500)
Eliminate employee advance	(168)
Record prior year payables	(4,623)
Net assets at beginning of year, as restated	$51,196

NOTE 9 – CONTINGENCIES

Bookkeeping challenges during 2006 caused a delay in submitting data to the auditor for the year ended December 31, 2006. The data was submitted to the auditor in May 2007. The audited financial statements were not received until April 2008. Therefore, the 2006 and 2007 audited financial statements were not filed by June 30, 2007 and 2008, respectively, as required by state law. In 2008, as part of efforts to remedy the situation, the Center engaged an accounting firm to maintain the general ledger and to prepare the financial statements.

During 2007, the Center failed to properly classify employees, properly withhold and remit social security and Medicare taxes, to timely file Form 941, Employer's Quarterly Federal Tax Return, and to remit withholdings and employer payroll taxes. During 2008, the Center prepared and filed amended W-2's and Form 941's and is in the process of negotiating a payment plan with the federal government. Management estimates unpaid taxes to be $26,000 and has included this amount in accrued liabilities. The penalties and interest that will be assessed on these violations are not estimable at this time. As grant funds cannot be used to pay penalties and interest, management intends to schedule fundraising activities to offset the Center's expenses.

NOTE 9 – CONTINGENCIES (Continued)

Further, the Center is unable to locate invoices or receipts to support some of the expenses reported in the 2007 statement of activities. The Center's records and activities are subject to further audit or review by its funding sources. Any funds determined not to have been spent in accordance with the terms of the grant contracts may be subject to recapture. No provision for such contingencies has been recorded in the accompanying financial statements.

As a result of the above conditions, the Louisiana Department of Education did not renew funding for the ASFA program for the 2008-2009 fiscal year and management opted not to operate the Summer Feeding program during 2009. We are unable to predict what further effects the late audit reports and audit findings may have on funding.

NOTE 10 – GOING CONCERN

Citing the cost of corrective action related to audit findings, the rising cost of operations, and the loss of funding and potential loss of funding, management and the board are considering rendering the Center inactive, at least until all audit findings are resolved, if not permanently.

Luffey, Huffman, Ragsdale & Soignier
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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
Restoration Center, Inc.
Mansfield, Louisiana

We were engaged to audit the accompanying financial statements of **Restoration Center, Inc.** (a nonprofit corporation – the Center), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated October 15, 2009. In our report, our opinion was disclaimed due to a scope limitation.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Center's financial statements that is more than inconsequential will not be prevented or detected by the Chamber's internal control. We consider the deficiency described in the accompanying schedule of findings listed as 08-01 to be a significant deficiency in internal control over financial reporting.

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Board of Directors
Restoration Center, Inc.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a misstatement of the financial statements will not be prevented or detected by the Center's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However we consider the significant deficiency listed above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 08-02.

We noted a certain matter that we reported to management of the Center in a separate letter dated October 15, 2009.

Restoration Center's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Center's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management of the Center, others within the entity, the Board of Directors, federal awarding agencies and pass-through entities, and the Legislative Auditor for the state of Louisiana 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.

(A Professional Accounting Corporation)

October 15, 2009

RESTORATION CENTER, INC.
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

08 – 01 Internal Control Over Related Party Transactions

Finding:

Restoration Center's Executive Director is also the pastor of Union Springs Baptist Church. During 2008, as in prior years, the Center engaged in numerous transactions with the Church and with the pastor, outside of his role as Executive Director. In total, the Center recorded approximately $72,000 in payments or liabilities to the church and approximately $21,000 in payments or liabilities, other than salaries and wages, to the Executive Director. Expense transactions related to either the Church or the Executive Director accounted for approximately 59% of all non-payroll related expenses.

The Center adopted a purchasing policy in November, 2008, however, as was the case in prior years, insufficient controls existed over certain transactions. This, again, led to transactions which were insufficiently supported and questionable as to how they relate to their programmatic purpose. Included in those transactions were the following items:

- $5,751 of repairs and maintenance to vehicles not owned by the Center included in facilities and equipment expenses primarily in the TPP program. These items are over and above the contracted amount paid to the Church for vehicle rental and maintenance under the TPP, After School For All, and Summer Feeding contracts.

- $1,600 of field trip costs paid to a nonprofit company for which the Executive Director is the registered agent, not supported by a contract or approval from the Board of Directors.

- $1,000 of field trip costs paid directly to the Executive Director not supported by contracts or approval from the Board of Directors.

- A $1,000 wire transfer to the Executive Director's personal account for which no supporting documentation was given.

- A $4,360 copier bought in the name of the Church.

- A $1,022 mileage reimbursement to the Executive Director from August 2008 for which supporting documentation suggests relates to August 2009.

- $250 paid to the Executive Director to be given to a Thanksgiving food drive, rather than being given directly to the Thanksgiving food drive.

RESTORATION CENTER, INC.
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

Recommendation:

We recommend that the Center adhere to the purchasing policy adopted in November 2008. We also recommend that the person approving a transaction sign the invoice indicating their approval. We further recommend that the Center maintain valid contracts for all service agreements and that the approval of those contracts be reflected in the minutes of the meetings of the Board of Directors..

Management's Corrective Action Plan:

We respectfully disagree with the auditor's emphasis on the transactions between RC, the Executive Director, and the church. It is our understanding that our grantors are aware of the relationships when they approve our program contracts. Without the involvement of the Church, RC could not operate its programs. Additionally, we believe that it is not uncommon for small nonprofits to lack proper segregation of duties.

We believe that RC had significantly improved its policies and procedures and records. It is important to recall the following significant events when considering the issues at hand:

- In January 2008, RC engaged a CPA firm to maintain the general ledger, process payroll, prepare payroll tax returns, and assist with preparation for the 2007 audit.
- In April 2008, RC began working with the CPA firm to update the general ledger and correct deficiencies in payroll. The CPA firm maintained the general ledger and reconciled the bank accounts through early 2009 at which time it had become difficult for RC to pay for the services.
- In April 2008, the 2006 audit report was issued.
- In July 2008, RC signed an engagement letter for the audit of the 2007 financial statements.
- In July 2008, the CPA firm processed the first payroll which was for the June 2008 pay period.
- In August 2008, RC submitted 2007 financial records to the auditor.
- From August 2008 through November 2008, RC and the CPA firm responded to the auditors' inquiries relating to the 2007 financial statements.
- The 2007 audit report was issued in December 2008.
- Lack of funds to pay for accounting services delayed the preparation of the 2008 financial statements.
- 2008 financial statements compiled by the CPA firm were submitted to the auditor on September 10, 2009
- The CPA firm's workpapers and our files were delivered to the auditor on September 14, 2009.

RESTORATION CENTER, INC.
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

We submit the following responses to each bullet point included in the auditor's finding:

- $5,751 of repairs and maintenance to vehicles not owned by the Center included in facilities and equipment expenses primarily in the TPP program. These items are over and above the contracted amount paid to the Church for vehicle rental and maintenance under the TPP, After School For All, and Summer Feeding contracts. **Response: We have not received a detailed list of the transactions in question and therefore have not been able to research the auditor's finding. We believe that all expenses are valid and supported.**

- $1,600 of field trip costs paid to a nonprofit company for which the Executive Director is the registered agent, not supported by a contract or approval from the Board of Directors. **Response: During the audit, we provided the auditor with a copy of Board minutes where the issue at hand was discussed. We have provided it again upon receiving the audit findings.**

- $1,000 of field trip costs paid directly to the Executive Director not supported by contracts or approval from the Board of Directors. **Response: During the audit, we responded via e-mail that the field trip was included in the contract and therefore Board approval had been obtained.**

- A $1,000 wire transfer to the Executive Director's personal account for which no supporting documentation was given. **Response: We explained that the withdrawal was for a field trip where cash was needed to pay meal and entertainment expenses at establishments where checks are not accepted. We provided some of the receipts and will attempt to obtain others from vendors.**

- A $4,360 copier bought in the name of the Church. **Response: As RC's programs rent church facilities, the copier was delivered to the Church and the vendor mistakenly billed the church. RC's general ledger and fixed asset records indicate that the copier is the property of RC.**

- A $1,022 mileage reimbursement to the Executive Director from August 2008 for which supporting documentation suggests relates to August 2009. **Response: We were unable to research given the time constraints as the auditor has our vendor files in his possession. We believe there was clerical error.**

- $250 paid to the Executive Director to be given to a Thanksgiving food drive, rather than being given directly to the Thanksgiving food drive. **Response: During fieldwork, we explained that RC received donations from third parties. These donations were the source of the amount in question which was paid to the Executive Director to cover expenses that required cash such as fuel for delivering food.**

RESTORATION CENTER, INC.
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

We will continue to strive to improve our policies and procedures. As disclosed in the financial statements, we have suspended our After School for All and Summer Feeding Programs at least until we have satisfactorily corrected our practices.

08-02 Financial Statements Not Filed Timely

Finding:

Louisiana Revised Statute 24:513 requires that Restoration Center, Inc. prepare and submit its audited financial statements to the Louisiana Legislative Auditor no later than six months after the end of the most recent fiscal year. However, due to funding issues, the Center was unable to submit financial information suitable for audit until after the prescribed deadline. Due to this circumstance, an extension with the Louisiana Legislative Auditor was requested and received through September 30, 2009.

Recommendation:

We recommend that the Center manage its financial resources in such a manner as to allow for an audit to be completed and submitted to the Legislative Auditor within the prescribed time period.

Management's Corrective Action Plan:

Please see our response to finding 08-01.

RESTORATION CENTER, INC.

STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

The following is a summary of the status of the prior year findings included in the Luffey, Huffman, Ragsdale & Soignier (APAC) audit report dated December 1, 2008, covering the examination of the financial statements of Restoration Center, Inc. (the Center) as of and for the year ended December 31, 2007.

07-01 Internal Control Matters

Finding:
Various deficiencies in internal controls were noted, particularly in the areas of cash disbursements and related party transactions.

Status:
Restoration Centers' bank statements are mailed directly to the CPA from the bank unopened. The Executive Directors wife and other employee have been removed from the banks signature card, leaving the Executive Director as the only signer. Restoration Center has elected new board members from the community whom are not members of the church or related to the Director. The Center has established a new Purchasing Policy, all checks must have an approved invoice before checks are signed and issued. Restoration center has also elected to discontinue and use of a debit card.

07-02 Payroll Liabilities and Reporting

Finding:
During 2007, Restoration Center failed to file payroll tax reports for certain employees and failed to remit amounts withheld from employees.

Status:
The Restoration Center has engaged the services of a CPA firm to maintain the general ledger, process payroll and prepare tax returns. The Center has corrected the employee classification issue and now requires that all new employees complete a W-4 form at date of hire.

07-03 Related Party Transaction

Finding:
During 2007 and in previous years, Restoration Center engaged in numerous related party transactions which were not supported by sufficient documentation.

RESTORATION CENTER, INC.

STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

Status:
Restoration Centers' Board of Directors must give approval on all agreements, transactions and expenses, that they deem valid and necessary for the operation of Restoration Center's programs. All transactions will be supported by documentation. It shall be noted that Restoration center maintains open lines of communications with it's Grantors, whom are aware of The Centers relationship with The Union Spring Church. The Executive Director has reimbursed Restoration Center a total $2100.00 in reference to the above. We will continue to search for missing documentation.

07-04 Financial Statements Not Timely

Finding:
Financial statements for 2007 were not filed with the Louisiana Legislative Auditor until after the June 30, 2008 deadline.

Status:
Restoration Centers' general ledger is posted through 2009, we are committed to complying with these requirements to improve our organization in order to assure it's ability to serve the community.

John L. Luffey, MBA, CPA (1963-2002)
Francis I. Huffman, CPA
Philip A. Ragsdale, CPA
David Ray Soignier, CPA, MBA

LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

John Herman, CPA
Lynn Andries, CPA
Esther Atteberry, CPA
Sandra Harrington, CPA

MANAGEMENT LETTER

Board of Directors
Restoration Center, Inc.
Mansfield, Louisiana

In planning and performing our audit of the general purpose financial statements of Restoration Center, Inc. (the Center) for the years ended December 31, 2008 and 2007, we considered its internal control structure in order to determine our auditing procedures for purposes of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure or overall compliance with laws and regulations.

However, during our audit we became aware of a certain matter that is an opportunity for strengthening internal controls and the overall environment for compliance with laws and regulations. This letter will summarize our comments and suggestions regarding those matters. This letter does not affect our report dated October 15, 2009 on the basic financial statements of the Center.

Improper Compensation Paid to Employees

During the course of our audit, we became aware that certain individuals who are also regular employees of the Center were paid for driving services. Federal law mandates that all amounts paid to employees for services provided be subjected to payroll taxes and reported on federal wage reporting documents. However, $850 of wages were paid to employees without having the proper amounts withheld and without being reported on their respective forms 941 and W-2. While this amount is immaterial to the financial statements taken as a whole, it does represent a violation of federal law.

Recommendation:

We recommend that, in the future, the Center properly recognize and report wages paid to employees and withhold and remit the related employment taxes.

Management's Corrective Action Plan:

This was an oversight. These payments were paid from third party donations and not related to the grant programs.

Luffey, Huffman, Ragsdale & Soignier
(A Professional Accounting Corporation)

October 15, 2009

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