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Children Unlimited, Inc.
Financial Statements
For the Year Ended June 30, 2002

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 1/22/03

WILLIAM D. EDWARDS, CPA

A PROFESSIONAL CORPORATION
206 REYNOLDS DRIVE, SUITE G-2
RUSTON, LOUISIANA 71270

Children Unlimited, Inc.
For the Year Ended June 30, 2002

TABLE OF CONTENTS

| | <u>Statement</u> | <u>Page</u> |
|----------------------------------|------------------|-------------|
| Accountant's Report | | 1 |
| Statement of Financial Position | A | 2 |
| Statement of Activities | B | 3 |
| Statement of Cash Flows | C | 4 |
| Statement of Functional Expenses | D | 5 |
| Notes to Financial Statements | | 6-9 |

REQUIRED SUPPLEMENTAL DATA

| | <u>Schedule</u> | <u>Page</u> |
|---|-----------------|-------------|
| Report On Applying Agreed-Upon Procedures | | 10-12 |
| Summary of Prior Year Findings | 1 | 13 |
| Management's Corrective Action Plan | | 14 |

WILLIAM D. EDWARDS

Certified Public Accountant
A Professional Accounting Corporation
Member: AICPA / Society of LCPA'S

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

I have compiled the accompanying statement of financial position of Children Unlimited, Inc. (a nonprofit corporation) as of June 30, 2002, and the related statements of activities and cash flow for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of the owners. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.



Ruston, Louisiana
November 8, 2002

Children Unlimited, Inc.
Statement of Financial Position
As of June 30, 2002

ASSETS

Current assets:

| | |
|----------------------------|--------------|
| Cash and cash equivalents | \$66,426 |
| Accounts receivable-grants | 26,811 |
| Due from related parties | 64,289 |
| Prepaid expenses | <u>1,366</u> |
| Total current assets | 158,892 |

Fixed Assets:

| | |
|------------------------------|---------------|
| Furniture and equipment, net | <u>62,747</u> |
|------------------------------|---------------|

TOTAL ASSETS

\$221,639

LIABILITIES AND NET ASSETS

Current liabilities:

| | |
|---------------------------|---------------|
| Accounts payable | \$2,838 |
| Accrued expenses | 12,504 |
| Due to related party | <u>25,259</u> |
| Total current liabilities | 40,601 |

Long-term liability - GMAC loan payable

34,336

Net assets:

| | |
|------------------------|----------------|
| Unrestricted | 115,978 |
| Temporarily restricted | 30,724 |
| Permanently restricted | <u>146,702</u> |
| Total net assets | <u>146,702</u> |

TOTAL LIABILITIES AND NET ASSETS

\$221,639

See accountant's report and notes to the financial statements.

Children Unlimited, Inc.
Statement of Activities
For the Year Ended June 30, 2002

| | <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 | 5,851 | | | 5,851 |
| Intergovernmental revenues, gains and other support | 158,999 | | | 158,999 |
| Net assets released from restrictions | <u>17,635</u> | <u>(17,635)</u> | | <u>0</u> |
| TOTAL REVENUE, GAINS, AND OTHER SUPPORT | <u>182,485</u> | <u>(17,635)</u> | <u>0</u> | <u>164,850</u> |
| EXPENSES AND LOSSES | | | | |
| Unrestricted expenses and losses | <u>220,457</u> | | | <u>220,457</u> |
| TOTAL EXPENSES | <u>220,457</u> | <u>0</u> | <u>0</u> | <u>220,457</u> |
| Change in net assets | (37,972) | (17,635) | 0 | (55,607) |
| Net assets as of beginning of year | <u>153,950</u> | <u>48,359</u> | <u>0</u> | <u>202,309</u> |
| Net assets as of end of year | <u><u>115,978</u></u> | <u><u>30,724</u></u> | <u><u>0</u></u> | <u><u>146,702</u></u> |

See accountant's report and notes to the financial statements.

Children Unlimited, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2002

| | | |
|--|----------|------------------------|
| Operating activities | | |
| Change in net assets | | (\$55,606) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | | 17,635 |
| Decrease in accounts receivable | | 14,307 |
| Decrease in due from related party | | 53,025 |
| Increase in prepaid expenses | | (1,216) |
| Decrease in accounts payable | | (2,604) |
| Decrease in accrued expenses | | (1,777) |
| Decrease in due to related party | | (9,989) |
| Increase in long-term liabilities | | <u>34,336</u> |
| Net cash provided by operating activities | | 48,111 |
| Investing activities | | |
| Additions to property and equipment | | (41,804) |
| Deletions to property and equipment | | <u>0</u> |
| Net cash provided by investing activities | | (41,804) |
| Financing activities | | <u>0</u> |
| Net increase (decrease) in cash and cash equivalents | | 6,307 |
| Cash and cash equivalents as of beginning of year | | <u>60,119</u> |
| Cash and cash equivalents as of end of year | | <u><u>\$66,426</u></u> |
| | | |
| Taxes - cash basis | \$ 7,216 | |
| Interest - cash basis | \$ 0 | |
| | | |
| SUMMARY | | |
| Cash in bank | | <u><u>\$66,426</u></u> |

See accountant's report and notes to the financial statements.

Children Unlimited, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2002

| | <u>Children Services</u> | <u>Management and General</u> | <u>Total</u> |
|----------------------------------|------------------------------|-----------------------------------|-------------------------|
| Automobile expense | \$8,403 | | \$8,403 |
| Insurance | 17,473 | | 17,473 |
| Dues and subscriptions | 242 | | 242 |
| Licenses and permits | 174 | | 174 |
| Telephone and pagers | 3,937 | | 3,937 |
| Postage | 181 | | 181 |
| Professional fees | 5,574 | | 5,574 |
| Rent | 16,900 | | 16,900 |
| Supplies | 8,889 | | 8,889 |
| Travel and entertainment | 1,452 | | 1,452 |
| Accrued payroll | 1,760 | | 1,760 |
| Salaries and wages | 94,052 | | 94,052 |
| Taxes | 9,124 | | 9,124 |
| Management fee allocation | | \$23,829 | 23,829 |
| Interest expense | | 1,430 | 1,430 |
| Depreciation | | 17,635 | 17,635 |
| Non-allowable expenses | | 9,402 | 9,402 |
| Total expenses before allocation | <u>168,161</u> | <u>52,296</u> | <u>220,457</u> |
| Allocate Management and General | <u>52,296</u> | <u>(52,296)</u> | <u>0</u> |
| TOTAL EXPENSES | <u><u>\$220,457</u></u> | <u><u>\$0</u></u> | <u><u>\$220,457</u></u> |

See accountant's report and notes to the financial statements

Children Unlimited, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2002

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, 2002

Fixed Assets

Fixed assets are stated at cost. Depreciation is provided on the straight line method over the estimated useful lives of the assets. The organization capitalized expenses on property and equipment that have a useful life longer than one year.

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. PROPERTY AND EQUIPMENT

Unrestricted - there were no unrestricted capitalized land, buildings, or equipment as of June 30, 2002.

Temporarily restricted - the organization did not purchase any property and equipment that would be restricted temporarily for the year ended June 30, 2002.

Permanently restricted - there were no permanently restricted land, buildings, or equipment as of June 30, 2002.

The following is a schedule of additions and deletions for the year ended June 30, 2002:

| | <u>Balance</u> <u>6/30/01</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>6/30/02</u> |
|-------------------------------|----------------------------------|------------------|------------------|----------------------------------|
| Equipment | \$77,042 | | | \$77,042 |
| Vehicle | 68,956 | \$41,804 | | 110,760 |
| Less accumulated depreciation | <u>(107,420)</u> | <u>(17,635)</u> | | <u>(125,055)</u> |
| Total | <u>\$38,578</u> | <u>\$24,169</u> | <u>\$0</u> | <u>\$62,747</u> |

3. COMPENSATED ABSENCES

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

| | |
|----------------|-----------------|
| Sick leave | \$3,268 |
| Personal leave | <u>7,082</u> |
| Total | <u>\$10,350</u> |

Children Unlimited, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2002

4. 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.

5. PROGRAMS

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

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.

6. 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.

7. RESTRICTIONS ON NET ASSETS

The only restricted assets owned by Children Unlimited, Inc. are fixed assets.

8. LEASES

There were no capital leases at June 30, 2002. All other facilities are rented on a month to month basis.

9. SCHEDULE OF STATE GRANT FINANCIAL ASSISTANCE

| Grant/Program Title | Grant I.D. number | Award Amount | Revenue Recognized | Expenditure |
|---|----------------------|-----------------|-----------------------|-------------|
| Louisiana Department of Health and Hospitals Office for Citizens with Developmental Disabilities | | | | |
| Early Intervention | CFMS 561454 | \$94,772 | \$94,567 | \$97,835 |

Children Unlimited, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2002

10. SCHEDULE OF REVENUE

| | <u>Federal</u> | <u>State</u> | <u>Medicaid</u> | <u>Total</u> |
|-------------------|----------------|--------------|-----------------|--------------|
| Children services | \$51,057 | \$94,567 | \$13,375 | \$158,999 |

11. RELATED PARTY TRANSACTIONS

The additions consist of a loan to the spouse of the Executive Director. The following is a summary of the due from related party transactions for the year ended June 30, 2002:

| | |
|------------------------|------------------------|
| Balance, June 30, 2001 | \$117,314 |
| Additions | 10,000 |
| Repayments | (66,381) |
| Imputed interest @ 6% | <u>3,356</u> |
| Balance, June 30, 2002 | <u><u>\$64,289</u></u> |

The following is a summary of the due to related party transaction for the year ended June 30, 2002:

| | |
|------------------------|------------------------|
| Balance, June 30, 2001 | \$35,248 |
| Additions | 23,829 |
| Repayments | (35,248) |
| Imputed interest @ 6% | <u>1,430</u> |
| Balance, June 30, 2002 | <u><u>\$25,259</u></u> |

12. POSTEMPLOYMENT BENEFITS

Children Unlimited, Inc. provides certain retirement benefits to employees. All employees receiving at least \$5,000 in compensation during any two prior years and who are reasonably expected to receive at least \$5,000 in compensation during the current year are eligible to participate in the plan pursuant to the terms of the plan, unless any such employees are members of a properly excluded class. A matching contribution equal to 100% of the employee's salary savings contributions up to a limit of 3% of the employee's plan-defined compensation for the year will be made by the employer to the SIMPLE retirement account.

WILLIAM D. EDWARDS

Certified Public Accountant
A Professional Accounting Corporation
Member: AICPA / Society of LCPA'S

To the Board of Directors of Children Unlimited, Inc.,

I have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by management of Children Unlimited, Inc., the Legislative Auditor, State of Louisiana, and applicable state grantor agency/agencies solely to assist the users in evaluating management's assertions about Children Unlimited, Inc.'s compliance with certain laws and regulations during the period ended June 30, 2002, included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested of for any other purpose.

Federal, State, and Local Awards

1. Determine the amount of Federal, state, and local award expenditures for the fiscal year, by grant and grant year.

Children Unlimited, Inc.'s award expenditures for all programs for the fiscal year follow:

| <u>Grant Name</u> | <u>Grant Year</u> | <u>CFDA No.</u> | <u>Amount</u> |
|---------------------|-------------------|-----------------|---------------|
| Part C | 7/1/01-6/30/02 | 84.181A | \$48,146 |
| Infant Habilitation | 7/1/01-6/30/02 | N/A | 97,835 |
| Medicaid | 7/1/01-6/30/02 | N/A | 19,291 |

2. For each Federal, state, and local award, I randomly selected 6 disbursements from each award administered during the period under examination, provided that no more than 30 disbursements would be selected.
3. For the items selected in procedure 2, I traced the all selected disbursements to supporting documentation as to proper amount and payee.

I examined supporting documentation for all selected disbursements and found that payment was for the proper amount and made to the correct payee.

4. For the items selected in procedure 2, I determined if the selected disbursements were properly coded to the correct fund and general ledger account.

All of the payments selected were properly coded to the correct fund and general ledger account.

5. For the items selected in procedure 2, I determined whether the selected disbursements received approval from proper authorities.

Inspection of documentation supporting all of the selected disbursements indicated approvals from the president.

6. For the items selected in procedure 2 for Federal awards, I determined whether the disbursements complied with the applicable specific program compliance requirements summarized in the *Compliance Supplement* (or contained in the grant agreement, if the program is not included in the *Compliance Supplement*) and for state and local awards, I determined whether the disbursements complied with the grant agreement, relating to:

Activities allowed or unallowed:

I reviewed the previously listed disbursements for types of services allowed or not allowed. All checks selected complied with the allowability requirements because the service rendered met the goals of the program.

Eligibility

I reviewed the previously listed disbursements for eligibility requirements. All checks selected complied with the eligibility requirements because the individuals who received the service earned an income that did not exceed the program guidelines.

Reporting

I reviewed the previously listed disbursements for reporting requirements. All checks selected complied with the reporting requirements because the checks could be traced to a *Request for Advance or Reimbursement Reports*.

7. For the programs selected for testing in item (2) that had been closed out during the period under review, I compared the close-out report, when required, with the entity's financial records to determine whether the amounts agree.

The disbursements selected did not include any programs that were closed out during the period.

Meetings

8. I examined evidence indicating that agendas for meetings recorded in the minute book were posted as an open meeting as required by LSA-RS 42:1 through 42:12 (the open meetings law).

Children Unlimited, Inc. is only required to post a notice of each meeting and the accompanying agenda on the door of Children Unlimited, Inc.'s office building. Although management has asserted that such documents were properly posted, I could find no evidence supporting such assertions other than an unmarked copy of the notices and agendas.

Comprehensive Budget

9. For all grants exceeding five thousand dollars, I determined that each applicable federal, state, or local grantor agency was provided with a comprehensive budget of those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance.

Children Unlimited, Inc. provided comprehensive budgets to the applicable state grantor agencies for the programs mentioned previously. These budgets specified the anticipated uses of the funds, estimates of the duration of the projects, and plans showing specific goals and objectives that included measures of performance.

Prior Comments and Recommendations

10. I reviewed any prior-year suggestions, recommendations, and/or comments to determine the extent to which such matters have been resolved.

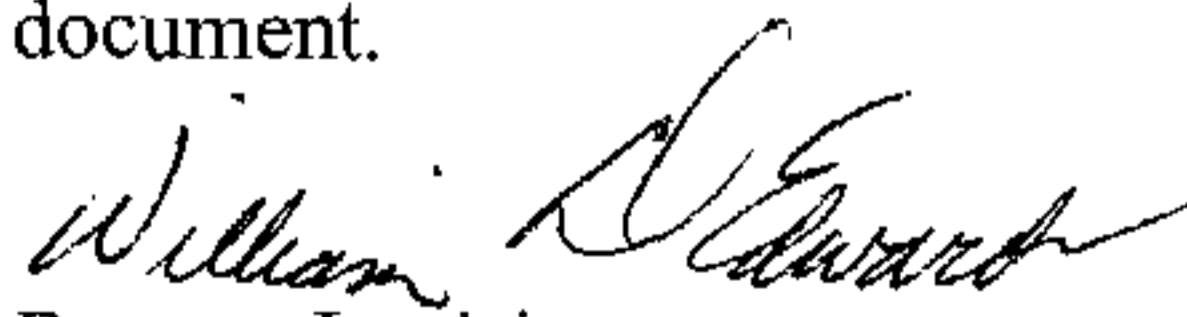
In the attestation engagement for the year ended June 30, 2002, I reported one instance of monies being direct deposited into the wrong company due to name changes and new companies being formed. While reviewing grant agreements, it was determined that Children Unlimited, Inc. did not name OCDD as an additional insured on its liability insurance. One of the selected disbursements did not have supporting documentation. Management has been informed of the extent to which prior year findings have been resolved.

Miscellaneous

11. Upon my review of the disbursements included in the general ledger for the year ended June 30, 2002, I noted a related party loan to the spouse of the Executive Director .

I was not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the use of management of Children Unlimited, Inc., the Legislative Auditor (State of Louisiana), and the applicable state grantor agencies and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Ruston, Louisiana

November 8, 2002

Children Unlimited, Inc.
Summary of Prior Year Findings
For the Year Ended June 30, 2002

A. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

- 01-1. Finding: With the establishment of two related party corporations and a name change in the prior year, I discovered one instance of monies being deposited into the wrong company. This happened by direct deposit as the first deposit into that account. The funds were repaid within a reasonable time period.

Recommendation: recommend all clients be informed of the appropriate company's bank account if direct deposits are being used.

Conclusion: Resolved

- 01-2. Finding: Upon my review of the grant agreements for the year ended June 30, 2001, I determined that Children Unlimited, Inc. did not name OCDD as additional insured on its liability insurance.

Recommendation: I recommend all contract provisions be complied with immediately upon acceptance.

Conclusion: Unresolved 02-1

- 01-3. Finding: One of the eighteen selected disbursements did not have supporting documentation, but the Executive Director had signed the check.

Recommendation: I recommend all disbursements have the supporting documentation attached for approval and duplication purposes.

Conclusion: Resolved

B. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

None

C. MANAGEMENT LETTER

None

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

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2002

Children Unlimited, Inc. hereby submits the following corrective action plan regarding the findings in the attestation for the year ending June 30, 2001:

02-1. Finding: Upon my review of the grant agreements for the year ended June 30, 2001, I determined that Children Unlimited, Inc. did not name OCDD as additional insured on its liability insurance.

Recommendation: I recommend all contract provisions be complied with immediately upon acceptance.

Response: The organization will comply with all contract provisions immediately upon acceptance.

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LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Quasi-public Entities)

1/9/02 (Date Transmitted)

William D. Edwards, CPA AFAC
206 Reynolds Drive, Suite G-2
Boston, LA 71270
(Auditors)

In connection with your compilation of our financial statements as of June 30, 2002 and for the period then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/representation).

Federal, State, and Local Awards

We have detailed for you the amount of Federal, state and local award expenditures for the fiscal year, by grant and grant year.

Yes [] No []

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and grantor officials.

Yes [] No []

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

Yes [] No []

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the Compliance Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

Yes [] No []

Open Meetings

Our meetings, as they relate to public funds, have been posted as an open meeting as required by LSA-RS 42:1 through 42:12 (the open meetings law).

Yes [] No [] *n/a*

Budget

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance

Yes [] No []

Prior Year Comments

We have resolved all prior-year recommendations and/or comments.

Yes [] No []

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the federal, state, and local grants, to include the applicable laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We will also disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance which may occur up to the date of your report.

Antoine M. Evans Secretary *12/13/02* Date
[Signature] Treasurer _____ Date
Narcis Palubny President _____ Date