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Children Unlimited, Inc.
Financial Statements
For the Year Ended June 30, 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 2-25-04

Children Unlimited, Inc.
For the Year Ended June 30, 2003

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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 audited the accompanying statement of financial position of Children Unlimited, Inc., a nonprofit organization, as of June 30, 2003, 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides 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 Children Unlimited, Inc. as of June 30, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 14, 2003, on my consideration of Children Unlimited, Inc.'s internal control over financial reporting and my 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 my audit.



Ruston, Louisiana
November 26, 2003

Children Unlimited, Inc.
Statement of Financial Position
As of June 30, 2003

ASSETS

Current assets:

Cash and cash equivalents	\$21,177
Accounts receivable-grants	31,832
Due from related parties	28,514
Prepaid expenses	<u>1,613</u>
Total current assets	83,136

Noncurrent Assets:

Furniture and equipment, net	<u>42,646</u>
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TOTAL ASSETS

\$125,782

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$262
Accrued expenses	5,358
Current portion of GMAC loan payable	<u>13,935</u>
Total current liabilities	19,555

Long-term liability - GMAC loan payable

6,426

Net assets:

Unrestricted	99,761
Temporarily restricted	0
Permanently restricted	<u>0</u>
Total net assets	<u>99,761</u>

TOTAL LIABILITIES AND NET ASSETS

\$125,742

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

Children Unlimited, Inc.
Statement of Activities
For the Year Ended June 30, 2003

	<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	13,567			13,567
Intergovernmental revenues, gains and other support	164,522			164,522
Net assets released from restrictions	<u>0</u>			<u>0</u>
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	<u>178,089</u>	<u>0</u>	<u>0</u>	<u>178,089</u>
EXPENSES AND LOSSES				
Unrestricted expenses and losses	<u>225,030</u>			<u>225,030</u>
TOTAL EXPENSES	<u>225,030</u>	<u>0</u>	<u>0</u>	<u>225,030</u>
Change in net assets	(46,941)	0	0	(46,941)
Net assets as of beginning of year	<u>146,702</u>	<u>0</u>	<u>0</u>	<u>146,702</u>
Net assets as of end of year	<u><u>99,761</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>99,761</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, 2003

Operating activities		
Change in net assets		(\$46,941)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation		22,101
Increase in accounts receivable		(5,021)
Decrease in due from related party		35,775
Increase in prepaid expenses		(247)
Decrease in accounts payable		(2,576)
Decrease in accrued expenses		(7,146)
Decrease in due to related party		(25,259)
Decrease in long-term liabilities		<u>(13,935)</u>
Net cash provided by operating activities		(43,249)
Investing activities		
Additions to property and equipment		(2,000)
Deletions to property and equipment		<u>0</u>
Net cash provided by investing activities		(2,000)
Financing activities		<u>0</u>
Net increase (decrease) in cash and cash equivalents		(45,249)
Cash and cash equivalents as of beginning of year		<u>66,426</u>
Cash and cash equivalents as of end of year		<u><u>\$21,177</u></u>
Taxes - cash basis	\$ 0	
Interest - cash basis	\$ 0	
SUMMARY		
Cash in bank		<u><u>\$21,177</u></u>

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

Children Unlimited, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2003

	<u>Children Services</u>	<u>Management and General</u>	<u>Total</u>
Automobile expense	\$9,600		\$9,600
Advertising	95		95
Contributions	5,784		5,784
Insurance	15,790		15,790
Licenses and permits	216		216
Telephone and pagers	3,745		3,745
Postage	257		257
Professional fees	4,064		4,064
Rent	15,220		15,220
Supplies	3,139		3,139
Travel and entertainment	2,127		2,127
Accrued payroll adjustment	(7,596)		(7,596)
Salaries and wages	111,567		111,567
Taxes	10,312		10,312
Utilities	1,824		1,824
Management fee allocation		\$26,785	26,785
Depreciation		22,101	22,101
Total expenses before allocation	176,144	48,886	225,030
Allocate Management and General	48,886	(48,886)	0
TOTAL EXPENSES	<u>\$225,030</u>	<u>\$0</u>	<u>\$225,030</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, 2003

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, 2003

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, 2003, the organization has cash and cash equivalents (book balances) totaling \$21,177 as follows:

Demand deposits	\$21,177
Time deposits	<u>0</u>
Total	<u>\$21,177</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, 2003, the organization has \$30,352 in deposits (collected bank balances). These deposits are secured from risk by \$30,352 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, 2003 are unrestricted.

Temporarily restricted - the organization did not purchase any property and equipment that would be restricted temporarily for the year ended June 30, 2003.

Children Unlimited, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2003

Permanently restricted - there were no permanently restricted land, buildings, or equipment as of June 30, 2003.

The following is a schedule of additions and deletions for the year ended June 30, 2003:

	<u>Balance</u> <u>6/30/02</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/03</u>
Equipment	\$77,042	\$2,000		\$79,042
Vehicle	110,760			110,760
Less accumulated depreciation	<u>(125,055)</u>	<u>(22,101)</u>		<u>(147,156)</u>
Total	<u>\$62,747</u>	<u>(\$20,101)</u>	<u>\$0</u>	<u>\$42,646</u>

Additions include the purchase of two generators.

4. COMPENSATED ABSENCES

The organization's sick and vacation time at year end was not material to the financial statements and was therefore not recorded.

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:

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.

Children Unlimited, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2003

8. RESTRICTIONS ON NET ASSETS

There are no restricted assets.

9. LEASES

There were no capital leases at June 30, 2003. All other facilities are rented on a month to month basis.

10. SCHEDULE OF STATE GRANT FINANCIAL ASSISTANCE

Grant/Program Title	Grant I.D. number	Award Amount	Revenue Recognized	Expenditure
Louisiana Department Office for Citizens with Developmental Disabilities				
Early Intervention	CFMS 561454	\$94,772	\$94,567	\$92,438

11. SCHEDULE OF REVENUE

	Federal	State	Medicaid	Total
Children services	\$52,660	\$94,772	\$17,635	\$165,067

12. RELATED PARTY TRANSACTIONS

The following is a summary of the due from related party transactions for the year ended June 30, 2003:

Balance, June 30, 2002	\$64,289
Payments received	<u>(35,775)</u>
Balance, June 30, 2003	<u><u>\$28,514</u></u>

The following is a summary of the due to related party transaction for the year ended June 30, 2003:

Balance, June 30, 2002	\$25,259
Additions	27,434
Repayments	<u>(52,693)</u>
Balance, June 30, 2003	<u><u>\$0</u></u>

Children Unlimited, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2003

13. 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.

14. PRIOR PERIOD ADJUSTMENT

The beginning unrestricted net asset balance was adjusted as noted below:

June 30, 2002 beginning balance	\$115,978
Adjustment - temporary assets	<u>30,724</u>
July 1, 2002 beginning balance	<u>\$146,702</u>

SUPPLEMENTAL INFORMATION SCHEDULES

WILLIAM D. EDWARDS

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

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

I have audited the financial statements of Children Unlimited Inc., a nonprofit organization, as of and for the year ended June 30, 2003, and have issued my report thereon dated November 26, 2003. I conducted my 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, 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 one instance of noncompliance that is required to be reported under *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Children Unlimited 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 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. I noted no matters involving the internal control over financial reporting and its operation that I 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.

William Edwards

Ruston, Louisiana

November 26, 2003

Children Unlimited, Inc.
Summary of Prior Year Findings
For the Year Ended June 30, 2003

A. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

02-1. Finding: Upon my review of the grant agreements for the year ended June 30, 2002, 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.

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, 2003

I have audited the financial statements of Children Unlimited, Inc. as of and for the year ended June 30, 2003, and have issued my report thereon dated November 26, 2003. I conducted my 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. My audit of the financial statements as of November 26, 2003, 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

03-1. Finding: Upon my review of the grant agreements for the year ended June 30, 2003, 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.

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, 2003

Children Unlimited, Inc. hereby submits the following corrective action plan as referenced in the Findings and Questioned Costs:

03-1. See the Schedule of Findings and Questioned Costs - Section B.