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PEOPLE UNLIMITED, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewed, 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 JUNE 8 1998

PEOPLE UNLIMITED, INC.
JUNE 30, 1998

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WILLIAM D. EDWARDS

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
People Unlimited, Inc.
Baton Rouge, Louisiana 71278

I have audited the balance sheet of People Unlimited, Inc., a nonprofit organization, as of June 30, 1992, and the related statements of support, revenues, and expenses and changes in fund balances and functional expenses for the year then ended. These financial statements are the responsibility of People Unlimited, Inc.'s management. My responsibility is to express an opinion on these financial statements based on our audit.

I conducted my audit in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These 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 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 People Unlimited, Inc., as of June 30, 1992, and the result of its operations and the changes in fund balances for the year then ended in conformity with generally accepted accounting principles.

My audit was made for the purpose of forming an opinion on the basic financial statement taken as a whole. The information included as "Other Supplementary Information" in the Table of Contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of People Unlimited, Inc. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 29, 1992 on my consideration of People Unlimited, Inc.'s internal control structure and a report dated December 29, 1992 on its compliance with laws and regulations.



Baton Rouge, Louisiana
December 29, 1992

PEOPLE UNLIMITED, INC.
STATEMENT OF ASSETS SHEET
JUNE 30, 1998

	(Current)
	1998
ASSETS	
CURRENT ASSETS	
Cash	
Accounts Receivable - Employees	\$ 58,977
Accounts receivable	43
Prepaid expenses	168,875
Deposits	12,043
	6,680
TOTAL CURRENT ASSETS	<hr/> 237,906
PROPERTY AND EQUIPMENT - Net	58,763
TOTAL ASSETS	<hr/> \$ 296,669
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 44,881
Accrued liabilities	263
	<hr/>
TOTAL LIABILITIES	45,144
NET ASSETS	
Unrestricted	208,477
Temporarily restricted	15,067
Permanently restricted	-0-
	<hr/>
TOTAL NET ASSETS	243,544
TOTAL LIABILITIES AND NET ASSETS	<hr/> \$ 296,669

See accompanying notes and accountant's report.

See accompanying notes and accountant's report.

PEOPLE UNLIMITED, INC.
STATEMENT OF SUPPORT, REVENUE, EXPENSES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 1988

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS, AND OTHER SUPPORT				
Unrestricted revenues, gains, and other support	\$ 116,002	\$	\$	\$ 116,002
Restricted revenues, gains, and other support:				
Intergovernmental	1,646,470	13,828		1,660,298
Net assets released from restrictions	8,432	(8,432)		0
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>1,770,904</u>	<u>34,396</u>	<u>0</u>	<u>1,805,300</u>
EXPENSES AND LOSSES				
Unrestricted expenses and losses	1,874,274			1,874,274
TOTAL EXPENSES AND LOSSES	<u>1,874,274</u>	<u>0</u>	<u>0</u>	<u>1,874,274</u>
INCREASE (DECREASE) IN NET ASSETS	90,680	34,396	0	125,076
NET ASSETS AT BEGINNING OF YEAR	168,881	18,470	0	187,351
Prior Period Adjustment	2,016			2,016
NET ASSETS AT END OF YEAR	<u>\$ 268,477</u>	<u>\$ 52,866</u>	<u>\$ 0</u>	<u>\$ 321,343</u>

See accompanying notes and accountant's report.

PEOPLE UNLIMITED, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 1998

	1997
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	\$ 121,852
Adjustment to reconcile change in net assets to net cash	
Provided (used) by operating activities:	
Increase (decrease) in net property, plant, & equipment	9,432
Increase (decrease) in operating assets:	
Receivables - Contracts	(67,421)
Accounts Receivable - Employees	874
Prepaid Expenses	(11,893)
Deposits	(5,608)
Increase (decrease) in operating liabilities:	
Accounts Payable	13,585
Accrued Liabilities	18
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	58,052
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments for property and equipment	(49,323)
Price period adjustment	(2,814)
Total cash flows from investing activities	(52,137)
Cash flows from financing activities	-0-
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	5,915
BEGINNING CASH & CASH EQUIVALENTS	42,886
ENDING CASH & CASH EQUIVALENTS	48,801
Taxes - Cash Basis	\$4,374
Interest - Cash Basis	-0-

See accompanying notes and accountant's report.

PEOPLE UNLIMITED, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDING JUNE 30, 1998

	Program Services			Reserve
	Adult Services	Children Services	Case Mgt. Services	
Compensation & related expenses	\$ 279,274	\$ 21,087	\$ 666,521	\$ 29,762
Compensation				
Employee benefits				
Medical	18,902	2,678	3,464	769
Other	0	0	0	0
Payroll Taxes	13,277	6,222	16,964	2,818
Conferences and training	99	6,895	45	39
Data Processing	58	0	131	0
Depreciation	8,412	0	0	0
Dues & Licenses	177	182	690	0
Expendable equipment	298	0	0	0
Food	20,750	0	0	0
Insurance				
Property and casualty	384	296	215	0
Vehicles	8,047	947	0	0
Worker's comp	0	0	0	0
Interest	0	0	0	0
Maintenance of building	1,222	0	0	0
Maintenance of equipment	1,993	0	0	0
Miscellaneous	1,186	213	1,248	72
Occupancy				
Utilities	5,163	2,134	5,648	0
Lease	8,203	5,400	86	0
Postage	22	1,886	0	0
Supplies				
Cleaning and maintenance	3,622	2,841	0	0
Medical	3,883	3,029	0	0
Office	1,586	3,657	2,909	77
Copies	15,892	0	0	0
Telephone	1,223	3,676	4,982	0
Transportation - auto	35,129	0	0	0
Travel/Member Professional Ser.	4,826	8,113	13,804	1,257
Professional Ser.	2,622	0	0	0
TOTAL EXPENSES (EXPENSE)	\$ 431,264	\$ 121,314	\$ 214,888	\$ 34,821
ALLLOCATION				
ALLOCATION MANAGEMENT	77,960	28,125	79,614	5,886
AND GENERAL				
TOTAL EXPENSES	\$ 509,224	\$ 149,439	\$ 294,502	\$ 40,707

See accompanying notes and accountants' report.

<u>Residential Services</u>	<u>Professional Core Services</u>	<u>Management and General</u>	<u>(Current) IP</u>
\$40,155	\$ 48,215	\$ 78,047	\$ 788,511
817	815	2,028	55,608
0	0	0	0
5,661	4,425	6,027	54,774
111	35	2,889	13,199
0	0	1,408	3,648
0	0	0	8,452
31	0	1,078	2,118
0	0	0	209
0	0	0	51,750
0	0	0	815
0	0	1,526	18,890
0	0	28,645	30,643
0	0	0	0
0	0	317	1,870
0	0	188	2,083
80	88	8,185	9,558
0	0	5,788	18,766
0	0	15,287	28,986
0	0	1,818	3,509
0	51	305	6,888
0	0	2,902	9,787
71	2	3,828	11,278
0	0	0	11,082
0	0	6,760	36,643
0	0	0	26,128
3,778	418	2,748	24,883
0	0	8,790	33,465
<u>\$ 48,968</u>	<u>\$ 55,344</u>	<u>\$ 107,418</u>	<u>\$ 1,074,294</u>
18,726	18,222	(181,683)	0
<u>\$ 67,694</u>	<u>\$ 73,566</u>	<u>\$ -84</u>	<u>\$ 1,074,294</u>

See accompanying notes and accountants' report.

**PEOPLE UNLIMITED, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998**

NOTE A: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

People Unlimited, Inc., was established in 1981, and received their tax exempt status as a 501 (c) (3) organization in October, 1990, to promote the general welfare of all mentally challenged persons. Their programs are designed to assist and train clients to become independent citizens within the community. The principal programs consist of vocational training, temporary care of clients, and early intervention.

Basic Accounting

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

List of 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 these estimates.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Fixed Assets, Depreciation and Amortization

Fixed assets are stated at cost. Depreciation is provided on the straight - line method over the estimated useful lives of the assets.

PEOPLE UNLIMITED, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1998

Donated Services

A significant portion of People Unlimited, Inc.'s activities related to courses and seminars is conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition under SFAS No. 115.

Lease Commitment

Rent expense is recognized on a straight - line basis over the term of the lease.

Restricted and Unrestricted Revenues and Support

Support that is restricted by the donor is reported as an increase in restricted 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-achievement 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 to for the purposes of the grants since they are conditional promises to give.

NOTE 10: LAND, BUILDINGS AND EQUIPMENT

Unrestricted

There were no unrestricted capitalized land, buildings, or equipment as of June 30, 1998.

Temporarily Restricted

The corporation did not purchase two vehicles during the current fiscal year for use completing specific contracts, at which time they become the property of the grantor.

	June 30 1997	Increase	Decrease	June 30 1998
Vehicle	\$ 9,330	\$ 61,611	\$ -0-	\$ 74,110
Equipment	8150	4,914		14,864
Less Accumulated Depreciation	(7580)	(9433)		(12,413)
Deferred Support	\$ 10,670	\$ 46,241	\$ -0-	\$ 56,911

PEOPLE UNLIMITED, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1988

Property Restricted

There were no permanently restricted land, buildings, or equipment as of June 30, 1988.

NOTE C: COMPENSATION BENEFITS

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

Sick Leave	\$ 7,026.89
Personal Leave	12,270.99
	<hr/>
	\$ 19,297.88

NOTE D: FUNCTIONAL EXPENSES

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

NOTE E: PROGRAMS

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

Adult Rehabilitation: The Adult Rehabilitation's income is derived from the Louisiana Department of Health and Hospitals. These funds are used to train clients in vocational and pre-vocational activities and support by services. Service fees charged Community Bridges' clients for training in the amount of approximately \$ 281,308 are included in charges for services.

Vocational Rehabilitation: Vocational Rehabilitation's income is derived from the Department of Social Services, Office of Louisiana Rehabilitative Services. This program provides vocational training support to clients placed in jobs within the community.

Supported Work Contracts: Supported Work Contracts' income is derived from services by clients which include janitorial and other contracts.

Supported Independent Living: Supported Independent Living's income is derived from the Louisiana Department of Health and Hospitals. This program helps the individual clients become more independent by providing support and training in their residences within the community.

Hospice

Hospice's income is derived from the Louisiana Department of Health and Hospitals. The program provides temporary care within the client's home.

PEOPLE UNLIMITED, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1998

Personal Care Attending: Personal Care Attending's income is derived from the Louisiana Department of Health and Hospitals. This program provides support and training for individuals in satisfying their own personal needs.

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

NOTE 3: 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.

NOTE 4: CHANGE IN ACCOUNTING PRINCIPLES

Change for New Pronouncements

People Unlimited, Inc. adopted Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Assets*. In the year ended June 30, 1996. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. As permitted by SFAS No. 116, People Unlimited, Inc. has retroactively applied the provisions of this new Statement by restating net assets as of June 30, 1996. The adjustment made to net assets as of June 30, 1996, represents time and purpose - restricted contributions previously reported as deferred revenue. Under SFAS No. 116, such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restrictions. There were no accounts for unconditional promises to give that were not previously recorded. The effect of this new Statement on People Unlimited, Inc.'s change in net assets for the year ended June 30, 1996 was a reduction in the decrease in net assets.

In the year ended June 30, 1996, People Unlimited, Inc. adopted SFAS No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, People Unlimited, Inc. 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. As permitted by the new Statement, People Unlimited, Inc. has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required. This reclassification had no effect on the change in net assets for the year ended June 30, 1996.

NOTE 5: RESTRICTIONS ON NET ASSETS

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

PEOPLE UNLIMITED, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1998

NOTE I: FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on the approximate ratio of total revenue.

NOTE J: LEASES

There were no capital leases at June 30, 1998. All other facilities are rented on a month-to-month basis.

NOTE K: RELATED PARTY TRANSACTIONS

The amount shown as Accounts Receivable Employee is due from MRC Industries on behalf of the Executive Director. The balance was paid in the subsequent month.

NOTE L: PRIOIR PERIOD ADJUSTMENT

Certain income items were adjusted to the books in the prior year but inadvertently left off of the audit report.

PEOPLE UNLIMITED, INC.
COMBINING SCHEDULE OF REVENUE, EXPENSES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1998

UNRESTRICTED

	Adult Services	Children Services	Case Management	Results
Revenue				
Intergovernmental	\$ 408,678	\$ 146,977	\$ 282,500	\$ 42,566
Supported Work Contracts	14,674			
Charges for Services - Professional Staff	600,158			
Net Assets Reimburse ¹ Temporarily Restricted	3,432			
Total Revenues	1,026,942	146,977	282,500	42,566
Expenses	909,294	141,720	233,432	48,413
Excess (Deficiency) of Revenues Over Expenses	117,648	(5,743)	49,068	(6,847)
Fund Balances at Beginning of Year				
Prior Period Adjustments				
Fund Balance at End of Year				

PEOPLE UNLIMITED, INC.
COMBINING SCHEDULE OF REVENUE, EXPENSES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1998

UNRESTRICTED

Residential Services	Personal Care Attendant	Supporting Services Management and Clinical	1998 Unrestricted Total
\$ 98,578	\$ 75,608	\$ 0	\$ 1,845,470
			14,674
			181,258
			9,432
98,578	75,608		1,171,905
61,600	65,116		1,034,374
14,887	7,894		97,661
98,578	75,608		188,901
			2,016
			\$ 200,478

WILLIAM D. EDWARDS

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

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

To the Board of Directors
People Unlimited, Inc.

I have audited the general purpose financial statements of People Unlimited, Incorporated, as of and for the year ended June 30, 1998, and have issued my report thereon dated December 29, 1998. I conducted my audit in accordance with generally accepted auditing standards and the criteria that apply 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 People Unlimited, Incorporated's financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of law, regulations, contracts, and grants, and grants, notwithstanding that such tests 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 my audit, I considered People Unlimited, Incorporated'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 an assurance on the internal control over financial reporting. However, I noted matters involving the internal control over financial reporting and its non-material likelihood to be responsible conditions. Reported conditions involve matters involving any attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, would adversely affect People Unlimited, Incorporated's ability to record, process, summarize, and report financial data consistent with the intentions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not allow for a relatively low level of risk that misstatements 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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also susceptible to be material weaknesses. However, I believe that none of the reportable conditions described above are a material weakness.

This report is intended for the information of the audit committee, management, and federal auditing agencies and state through entities. However, this report is a matter of public record and its distribution is not limited.



William D. Edwards
Boston, Massachusetts
December 29, 1998

WILLIAM D. EDWARDS

Certified Public Accountant
a Professional Accounting Corporation
Member: AICPA / Society of CPAs

**INDEPENDENT AUDITOR'S REPORT ON
SCHEDULE OF FEDERAL AWARDS**

To the Board of Directors of
People Unlimited, Inc.
Baton, Louisiana

I have audited the financial statements of People Unlimited, Inc. (a nonprofit organization) as of and for the year ended June 30, 1998, and have issued my report thereon dated December 28, 1998. These financial statements are the responsibility of People Unlimited, Inc. 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, Government auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and other Nonprofit Institutions." These standards and OMB Circular A-133 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 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.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of People Unlimited, Inc. taken as a whole. The accompanying Schedule of Federal Awards is presented for purposes of additional analysis and is not required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

William D. Edwards

Baton, Louisiana
December 28, 1998

**PEOPLE UNLIMITED, INC.
 SCHEDULE OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 1998**

Grant/Program Title	Grant Assistance I.D. number	State Award Amount	Revenue Accepted	Expenditure	Total State Revenue June 30, 1998
Louisiana Department of Health and Hospitals					
Office for Citizens with Developmental Disabilities					
Vocational and Habilitative Services	CP945 021899	\$ 185,673	\$ 180,318	\$180,318	\$ 180,318
Supported Living	CP945 328993	14,615	14,328	14,328	14,328
Infant Habilitation	CP945 021823	94,773	94,773	94,773	94,773
Social Services	CP945 325294	43,218	40,278	40,278	40,278
TOTAL STATE ASSISTANCE		\$ 341,279	\$ 329,808	\$ 329,808	\$ 329,808

**PEOPLE UNLIMITED, INC.
NOTES TO SCHEDULES OF FEDERAL AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 1998**

1. General

The Schedules of Federal and State Financial Assistance presents the activity of all federal and state financial assistance programs of People Unlimited, Inc. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies, is included in the Schedule of Federal Financial Assistance.

2. Basis of Accounting

The Schedules of Federal and State Financial Assistance are presented using the accrual basis of accounting.

3. Relationship to Combining Schedules of Revenue, Expenses, and Changes in Fund Balances

Federal, state and local government financial assistance revenue and fees for service are included in intergovernmental revenue on the Statement of Support, Revenue, Expenses and Changes in Fund Balances. This revenue is further detailed on Schedule 2. Intergovernmental revenue consists of the following:

	<u>Federal Financial Assistance</u>	<u>State Financial Assistance</u>	<u>Fees for Services</u>	<u>Total Intergov't Rev. & Supp. -Net Contract</u>
1. Adult Services	\$ 42,560	\$ 442,087	\$ 106,000	\$ 590,647
2. Respite	98,578			98,578
3. Residential Services		140,917		140,917
4. Children Services	282,761			282,761
5. Case Management	75,600			75,600
6. Personal Care Attendant				
	<u>\$ 499,439</u>	<u>\$ 583,004</u>	<u>\$ 116,000</u>	<u>\$ 1,198,443</u>

WILLIAM D. EDWARDS

Chartered Public Accountant
A Professional Accounting Corporation
MEMBER: AICPA, Society of CPAs

INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE RELATED MATTERS NOTED IN A FINANCIAL STATEMENT AUDIT CONDUCTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
People Unlimited, Inc.
Houston, Louisiana

I have audited the general purpose financial statements of People Unlimited, Inc., a nonprofit organization, as of and for the year ended June 30, 1998, and have issued my report thereon dated December 28, 1998.

I conducted my audit in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In planning and performing my audit of the general purpose financial statements of People Unlimited, Inc., for the year ended June 30, 1998, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

The management of People Unlimited, Inc., is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are recorded in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, I have identified the significant internal control structure policies and procedures in the following categories:

Cash Receipts
Support, Revenue, and Receivables
Purchasing, Payables, and Disbursements Property and Equipment
Debt and Other Liabilities
General Ledger
Payroll

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
People Unlimited, Inc.

Compliance

I have audited the compliance of People Unlimited, Inc. (a nonprofit organization) with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its Major Federal programs for the year ended June 30, 1998. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of People Unlimited, Inc.'s management. My responsibility here expresses an opinion on People Unlimited, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, (usually the Comptroller General of the United States), and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a Major Federal program occurred. An audit includes examining, on a test basis, evidence about People Unlimited, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of People Unlimited, Inc.'s compliance with those requirements.

In my opinion, People Unlimited, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1998.

Internal Control Over Compliance

The management of People Unlimited, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered People Unlimited, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and federal funding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.


Partner, Independence
December 29, 1998