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Monroe Chamber of Commerce, Inc.

Financial Statements Years Ended December 31, 2003 and 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 5.26.04

Monroe Chamber of Commerce, Inc.

December 31, 2003 and 2002

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INDEPENDENT AUDITORS' REPORT

**Board of Directors
Monroe Chamber of Commerce, Inc.**

We have audited the accompanying statements of financial position of the **Monroe Chamber of Commerce, Inc.** (the Chamber) as of December 31, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Chamber's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Legislative Auditor and the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. Those standards require that we 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chamber as of December 31, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2004, on our consideration of the Chamber's internal control over financial reporting and our 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 *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

(A Professional Accounting Corporation)

March 4, 2004

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MONROE CHAMBER OF COMMERCE, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2003	2002
		Restated (Note 10)
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 251,543	\$ 93,295
Investments	-	68,792
Receivables:		
Membership Dues	20,424	12,762
Total Resource Development Campaign	240,772	223,842
Contracts	38,750	87,147
Federal Grant	11,995	154,998
Other	29,802	8,904
Total Current Assets	593,286	649,740
Property and Equipment		
Furniture, Fixtures and Equipment	483,447	472,908
Less: Accumulated Depreciation and Amortization	(181,798)	(58,897)
Net Property and Equipment	301,649	414,011
Other Assets		
Security Deposit	2,178	2,178
Investment in Milner Building, L.L.C. (Note 7)	100,000	100,000
Prepaid Expenses	12,190	27,403
Total Other Assets	114,368	129,581
TOTAL ASSETS	\$ 1,009,303	\$ 1,193,332

The accompanying notes are an integral part of these statements.

	December 31	
	<u>2003</u>	<u>2002</u> Restated (Note 10)
LIABILITIES AND NET ASSETS		
Current Liabilities		
Deferred Revenue:		
Membership Dues	\$ 111,900	\$ 104,174
Total Resource Development Campaign	250,087	238,424
Accounts Payable	62,826	215,404
Accrued Salaries and Payroll Taxes	2,200	1,838
Capital Lease Obligations (Current Portion)	8,280	7,434
Note Payable (Current Portion)	20,000	-
Total Current Liabilities	<u>455,293</u>	<u>567,274</u>
Long Term Liabilities		
Capital Lease Obligations (Note 3)	638	8,918
Note Payable (Note 8)	80,000	100,000
Total Long Term Liabilities	<u>80,638</u>	<u>108,918</u>
Total Liabilities	<u>535,931</u>	<u>676,192</u>
Net Assets		
Unrestricted:		
Undesignated	316,788	222,457
Temporarily Restricted:		
Workforce Development Division	156,584	294,683
Total Net Assets	<u>473,372</u>	<u>517,140</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,009,303</u>	\$ <u>1,193,332</u>

MONROE CHAMBER OF COMMERCE, INC.
STATEMENTS OF ACTIVITIES

	Years Ended December 31,	
	2003	2002
		Restated (Note 10)
Changes in Unrestricted Net Assets		
Support :		
Membership Dues	\$ 295,074	\$ 302,890
Administrative Division	35,265	73,022
Communications Division	217,175	239,234
Workforce Development Division	155,835	197,326
Government Relations/Affairs Division	249,129	211,892
Governmental Contracts	235,000	235,000
Leadership Division	30,715	39,205
Annual Banquet	36,976	55,744
Investment Income	9,174	3,363
Fund Raising	72,505	89,182
Total Unrestricted Support	1,336,848	1,446,858
 Net Assets Released From Time Restrictions	 181,650	 117,926
 Total Unrestricted Support and Reclassifications	 1,518,498	 1,564,784
 Expenses		
Program Services:		
Workforce Development Division	295,358	250,870
Government Relations/Affairs Division	265,626	247,723
Membership Services Division	286,922	286,741
Total Program Services Expenses	847,906	785,334
Supporting Services:		
Management and General (Note 2)	456,129	530,153
Fund Raising (Note 2)	39,717	65,700
Membership Development (Note 2)	80,414	95,072
Total Supporting Services Expenses	576,260	690,925
Total Expenses	1,424,166	1,476,259
 Increase in Unrestricted Net Assets	 94,332	 88,525
 Changes in Temporarily Restricted Net Assets		
Workforce Development Division	43,550	412,609
 Net Assets Released from Time Restrictions - Workforce Development Division	 (181,650)	 (117,926)
 Increase (Decrease) in Temporarily Restricted Net Assets	 (138,100)	 294,683
 Increase (Decrease) in Net Assets	 (43,768)	 383,208
 Net Assets at Beginning of Year (as previously reported)	 517,140	 184,377
 Correction and Restatement (Note 10)	 -	 (50,445)
 Net Assets at Beginning of Year (as restated)	 517,140	 133,932
 NET ASSETS AT END OF YEAR	 \$ 473,372	 \$ 517,140

The accompanying notes are an integral part of these statements.

MONROE CHAMBER OF COMMERCE, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2003	2002
		Restated (Note 10)
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ (43,768)	\$ 383,208
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	122,901	52,835
Loss on Disposal of Fixed Assets	-	27,120
Changes in Assets and Liabilities:		
Membership Dues Receivable	(7,662)	(3,908)
Other Receivables	153,572	(245,729)
Prepaid and Other Assets	15,213	(9,327)
Deferred Revenue	19,389	117,366
Accounts Payable	(152,577)	149,808
Accrued Payables	361	(14,055)
Total Adjustments	151,197	74,110
Net Cash Provided by Operating Activities	107,429	457,318
 Cash Flows from Financing Activities		
Principal Paid on Capital Lease	(7,434)	(5,073)
Net Cash Used by Financing Activities	(7,434)	(5,073)
 Cash Flows from Investing Activities		
Maturity of Investments (Net)	68,792	8,389
Investment in Milner Building, L.L.C.	-	(100,000)
Acquisition of Property and Equipment (Net)	(10,539)	(336,338)
Net Cash Provided (Used) by Investing Activities	58,253	(427,949)
 Net Increase in Cash and Cash Equivalents	158,248	24,296
 Cash and Cash Equivalents at Beginning of Year	93,295	68,999
 Cash and Cash Equivalents at End of Year	\$ 251,543	\$ 93,295
 Supplemental Disclosures:		
Cash Paid During the Year for:		
Interest	\$ 6,648	\$ 4,318
Income Taxes	\$ 1,510	\$ 2,560
 Noncash Financing Activity:		
Increase in Capital Lease	\$ -	\$ 21,425
 Noncash Investing Activity:		
Donation of Equipment	\$ -	\$ 30,000

The accompanying notes are an integral part of these statements.

MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2003 AND 2002

Note 1 - Summary of Significant Accounting Policies

Organization

The Monroe Chamber of Commerce, Inc. (the Chamber) was incorporated in September 1947 under the laws of the State of Louisiana. The Articles of Incorporation were restated in January 1997, and among other things, stated that the objects and purposes of the organization are for the advancement of the civic, commercial, economic, industrial and agricultural interests of the Parish of Ouachita and the surrounding trade area; the promotion of the general welfare, health and cultural well-being within that territory; and the stimulation of public sentiment toward those ends; and the sponsorship of the engagement in all lawful activities which promote the accomplishment of these purposes.

Basis of Accounting

The financial statements of the Chamber have been prepared on the accrual basis. The significant accounting policies followed by the Chamber are described below to enhance the usefulness of the financial statements to the reader.

Use 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 those estimates.

Property and Equipment

Property and equipment are recorded at cost. Expenditures that are greater than \$500 for additions, major renewals and betterments are capitalized. All other expenditures are expensed as incurred. The cost of assets retired or otherwise removed and the related accumulated depreciation are eliminated from the accounts in the year of removal, with the resulting gain or loss credited or charged to operations. Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets ranging from five to twenty years for the office furniture and equipment and leasehold improvements, respectively.

Included in Property and Equipment is certain video conferencing equipment and computers costing a total of \$296,435 that was acquired through a Federal grant. The Chamber retains title to this equipment, however it cannot be sold without the grantor agency's permission or until the expiration of the grant period in the year ended December 31, 2004; therefore, this equipment less the related accumulated depreciation is shown as temporarily restricted net assets.

MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2003 AND 2002

Through the Total Resource Development Campaign, the Chamber obtained the use of three vehicles. The agreements for the use of the vehicles are open-ended and provide for the Chamber to provide adequate insurance coverage and cover regular maintenance and operating costs. No value for these vehicles is included in property and equipment but the fair value of these vehicles is included in Administrative Division Support and in Management and General expense.

Deferred Revenue

Membership dues are billed on a monthly basis, coinciding with the month the member joined the Chamber. Membership revenue is deferred and recognized in the statement of activities on a straight-line basis over a one year period. Membership receivables are written off as uncollectible when they become 120 days past due.

Other deferred revenue consists of commitments received during the Total Resource Development Campaign for events or programs to be carried out in the following year. These deferred revenues are recognized as income either on a straight line basis or as the individual events occur.

Compensated Absences

Employees receive one week of vacation after six months, two weeks after one year, three weeks after five years, and four weeks after ten years of service. Vacation time is forfeited unless taken by year-end. Five days of sick leave are allowed annually. Employees are not compensated for any unused leave upon termination. Accordingly, no accrual for unpaid leave time is included in the financial statements.

Net Assets

The unrestricted-undesignated net assets represent the surplus accumulated over several years through normal operations of the Chamber. Income from restricted sources which is received during the fiscal year and for which the restrictions are satisfied within the same fiscal year, is represented in the changes in unrestricted net assets.

Some of the temporarily restricted net assets represent contributions from the Monroe Chamber Foundation specified for educational purposes for the Workforce Development Program. As the Chamber expends these funds, the restrictions will be removed.

The balance of the temporarily restricted net assets at December 31, 2003 represents the value of equipment purchased with federal funds less the accumulated depreciation. The restrictions will be removed upon expiration of the grant period in the year ended December 31, 2004. At December 31, 2003 there were no permanently restricted net assets.

MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2003 AND 2002

Statements of Cash Flows

For the purposes of the statements of cash flows, the Chamber considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Functional Allocation of Expenses

Program services expenses are those directly related to the purposes for which the Chamber exists. Supporting services expenses reflect other expenses incurred in operating the programs, fund raising and membership development. Various operating expenses not directly connected with a specific function or program service is allocated to supporting services. The direct costs of providing the various programs and other activities have been summarized in the statements of activities. Salaries and employee benefits are allocated to program and supporting services based upon management's estimate of time each employee devotes to various activities.

Programs services include:

Workforce Development Division – supports a combination of educational and workforce training needs throughout the region served by the Chamber. Some of the programs sponsored by the division are Workforce Investment Board partnership, Accent on Excellence Breakfast, the Incumbent Worker Training program, the regional Career Fair and the Job Shadowing program.

Government Relations/Affairs Division – focuses on state, local and federal government initiatives. The Chamber maintains a full-time staff person in Baton Rouge during the Legislative Sessions as well as conducting the annual Northern Exposure advocacy trip to the State Capital. On the local front, the Chamber has contracted with the City of Monroe and the Ouachita Parish Police Jury to represent these agencies in the areas of economic development, state and federal advocacy, and transportation and infrastructure. The Chamber also conducts two trips to Washington, D. C., to meet with House and Senate members as well as various Federal agencies to promote issues of concern for our area.

Membership Services Division – benefits members of the Chamber by providing valuable information through a weekly newsletter and a quarterly newsmagazine. The Chamber also provides literature to acquaint newcomers with Ouachita Parish which is also available on the Chamber's web site.

Supporting services include:

Management and General – includes oversight, business management, general record keeping, budgeting, financing, soliciting revenue from exchange transactions, such as government contracts and related administrative activities.

Fund Raising - includes the annual Holiday Auction.

MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2003 AND 2002

Membership Development – includes soliciting for prospective members, membership dues and the Total Resource Development Campaign. In 1997 the Chamber implemented the Total Resource Development Campaign to solicit participation in and support of its various programs in fulfilling the mission of the Chamber and enhancing benefits to the membership.

Basis of Presentation

Contributions received by the Chamber are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Chamber reports 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 Chamber had no permanently restricted net assets at December 31, 2003 or 2002.

Tax Status

The Chamber has qualified as an organization exempt from federal income taxes pursuant to Section 501(c)(6) of the Internal Revenue Code; therefore, there is no provision for income taxes in the accompanying financial statements except for tax on unrelated trade or business income related to maps and tabloids.

Note 2 - Supporting Services

Management and General expenses consisted of the following for 2003 and 2002, respectively.

	<u>2003</u>	<u>2002</u>
Salaries and Employee Benefits	\$ 173,367	\$ 165,187
Insurance	8,379	4,958
Travel and Entertainment	55	2,024
Automobile Expense	20,662	17,102
Telephone	23,857	29,466
Postage	13,656	12,046
Printing and Subscriptions	10,671	17,889
Office Rent	71,960	63,601
Equipment Lease	6,885	7,719
Depreciation	25,551	20,873
Continuing Education	2,717	7,231
Office Supplies	16,866	26,958
Professional Fees	18,365	15,876
Interest	6,648	5,025
Service Contracts and Repairs	34,526	40,681
Unrelated Trade or Business Income Taxes	2,423	2,175
Other	19,541	91,342
Total	<u>\$ 456,129</u>	<u>\$ 530,153</u>

MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2003 AND 2002

Fund raising expenses consisted of the following for 2003 and 2002, respectively.

	2003	2002
Salaries and Employee Benefits	\$ 6,412	\$ 6,261
Other – Christmas Auction	33,305	59,439
Total	\$ 39,717	\$ 65,700

Membership development expenses consisted of the following for 2003 and 2002, respectively.

	2003	2002
Salaries and Employee Benefits	\$ 37,740	\$ 39,006
Printing and Developing	5,565	13,135
Annual Meeting and Banquet	24,894	25,832
Other	12,215	17,099
Total	\$ 80,414	\$ 95,072

Note 3 - Leases

As of December 31, 2003, the Chamber leased office space and certain equipment under noncancellable operating leases. Rental expense for the years ended December 31, 2003 and 2002, was \$78,845 and \$71,320 respectively. Future minimum lease payments required under the operating leases are as follows:

	Operating Leases
2004	\$ 71,960
2005	71,960
2006	71,960
2007	71,960
2008	71,960
2009-2012	227,873
Total minimum lease payments	\$ 587,673

During 2002 the Chamber acquired \$21,425 of computer equipment through a capital lease. Capital leases give rise to both property rights and long-term lease obligations and are reflected on the Chamber's Statement of Net Assets. At December 31, 2003 future minimum lease payments under capital lease obligations are as follows:

MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2003 AND 2002

Year	Capital Lease
2004	\$ 8,842
2005	644
	9,486
Less: Amounts Representing Interest	(568)
Net Present Value of Future Minimum Lease Payments	\$ 8,918

Note 4 - Employee Retirement Plan

The Chamber provides a 401 (k) retirement plan for eligible employees. To participate in the plan, employees must be at least 21 years of age and have provided one year of service. The Chamber contributes 5% of participating employees' earnings. Employees may make a pre-tax voluntary contribution of up to 100% of their compensation or the maximum amount permitted by law to the plan. The Chamber contributed \$21,531 and \$15,190 to this plan for the years ended December 31, 2003 and 2002, respectively.

Note 5 - Concentration of Credit Risk

All of the membership dues receivable represents amounts due from businesses located within Ouachita Parish and mostly within the city of Monroe. Approximately seventy-five percent of other receivables represents amounts due from the membership for participation in other programs such as leadership, government relations and similar programs. The Chamber does not require any security or collateral from its membership to secure these amounts. Failure of the membership to perform as promised could impact the Chamber's ability to collect \$261,196.

Approximately 18% of the Chamber's support for 2003, is from two local governments.

The Chamber has various deposit accounts at one federally insured financial institution. At December 31, 2003, the bank balances in these accounts exceeded the FDIC insurance by \$206,961.

Note 6 - Technology Opportunities Program

In September, 2001, the Chamber was awarded a grant from the United States Department of Commerce to promote the use and availability of advanced telecommunications technologies in the region. For the year ended December 31, 2003 and 2002, the Chamber has recognized \$43,550 and \$312,609 in revenues under the program.

**MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2003 AND 2002**

Note 7 - Investment in Milner Building, LLC

On March 20, 2002 the Chamber entered into an operating agreement with RTR of Monroe, LLC (also see Note 9) creating the Milner Building, LLC for the operation of a commercial office building in downtown Monroe. Under the agreement, RTR of Monroe, LLC has a 90% equity ownership and the Chamber a 10% equity ownership of Milner Building, LLC. The Chamber paid \$100,000 for its 10% interest. Per the operating agreement the Chamber shall be paid, as a priority distribution, \$7,000 annually from the operating cash flow, if any, after all expenses and debt service have been paid. Additionally, the Chamber will receive 10% of any remaining cash flow after payment of the priority distribution above.

Note 8 - Note Payable

The Chamber executed a promissory note on March 5, 2002 with a local financial institution, providing for a line of credit of \$100,000 at an interest rate of 4.75%. Proceeds from this loan were used to purchase furniture and equipment for the new Chamber office. The note was due on March 5, 2003 but was extended to March 5, 2004.

This note was refinanced on December 5, 2003 at an interest rate of 5.25%. It is being repaid over the next 5 years with principal payments of \$1,667 per month (20,000 per year) plus interest, also paid monthly.

Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 20,000	\$ 4,848	\$ 24,848
2005	20,000	3,770	23,770
2006	20,000	2,705	22,705
2007	20,000	1,641	21,641
2008	20,000	578	20,578
Total	<u>\$ 100,000</u>	<u>\$ 13,542</u>	<u>\$ 113,542</u>

Note 9 - Related Party Transactions

Members of the Chamber's Board of Directors (Executive Committee) are also members of the Monroe Chamber Foundation's (the Foundation) Board of Directors. The chairman of the Board of Directors of the Chamber for 2002 was also a part owner of RTR of Monroe, LLC (See Note 7). During 2002, the Chamber furnished the Foundation office space and personnel to administer the pass-through grants from the State of Louisiana and was paid \$56,301 for personnel, supplies and program support. This relationship ended in 2002 and no payments were made in 2003.

MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2003 AND 2002

Note 10 - Correction and Restatement

Membership dues and the Total Resource Development Campaign that are paid by in-kind contributions are a significant source of revenue for the Chamber. In the past, the Chamber recognized some but not all of its in-kind contributions.

As such, the Chamber reevaluated its in-kind revenue recognition policies and determined that these additional contributions should be included. Also, as a result of this evaluation, the Chamber discovered an error in their deferred revenue calculation in a previous year. Additionally, certain noncash contributions had not been recognized as receivables and payables in the year of transfer or as revenues and expenses in the year of benefit.

As a result of these changes, the net assets at December 31, 2001 have been reduced by \$50,445. The operations in 2002 have been restated to show a net increase in net assets of \$20,282. Consequently, the net assets decreased by \$30,163 at December 31, 2002. The 2002 financial statements have been restated to reflect the changes stated above and are as follows:

	Increase <u>(Decrease)</u>
Statement of Financial Position	
Receivables-Membership Dues	7,650
Receivables-Total Resource Development Campaign	129,924
Deferred Revenues-Membership Dues	44,813
Deferred Revenues-Total Resource Development Campaign	129,924
Accounts Payable	(7,000)
Net Assets-Unrestricted-Undesignated	(30,163)
Statement of Activities	
Support: Membership Dues	34,932
Support: Administrative Division	10,236
Support: Communications Division	159,584
Support: Workforce Development Division	27,065
Support: Government Relations/Affairs Division	19,266
Support: Fundraising	(11,125)
Program Services: Workforce Development Division	28,215
Program Services: Government Relations/Affairs Division	19,641
Program Services: Membership Services Division	146,651
Supporting Services: Management and General	8,661
Supporting Services: Fund Raising	3,000
Supporting Services: Membership Development	13,508
Increase in Net Assets	20,282

MONROE CHAMBER OF COMMERCE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2003 AND 2002

Note 11 - Contingencies and Uncertainties

The Chamber received a Technology Opportunities Program grant from the United States Department of Commerce to provide skills training and enrichment to residents of the Northeast Louisiana Delta Region through the use of advanced telecommunications technologies. The Chamber has responded to inquiries from the Department of Commerce regarding findings concerning the grant contained in the audit of its financial statements for the year ended December 31, 2002. A final determination has not been received from the Department of Commerce and therefore some or all of the costs charged to this grant could be disallowed by the Department of Commerce.



Francis I. Huffman, CPA
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John L. Luffey, MBA, CPA (1963-2002)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Board of Directors
Monroe Chamber of Commerce, Inc.**

We have audited the financial statements of the **Monroe Chamber of Commerce, Inc.** (the Chamber) as of and for the year ended December 31, 2003, and have issued our report thereon dated March 4, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

Compliance

As part of obtaining reasonable assurance about whether the Chamber's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Chamber's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Chamber's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the

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**Board of Directors
Monroe Chamber of Commerce**

accompanying Schedule of Findings as item 03-01. We also noted a matter involving the internal control over financial reporting which we have reported to management of the Chamber in a separate letter dated March 4, 2004.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered to be material weaknesses. However, we consider item 03-01 in the previous paragraph to be a material weakness.

This report is intended for the information of management of the Chamber, entities granting funds to the Chamber 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)

March 4, 2004

MONROE CHAMBER OF COMMERCE, INC.
Monroe, Louisiana

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2003

03-01 DEFERRED REVENUES

Finding:

Some of the Chamber's deferred revenues and receivables derived from noncash transactions related to the Total Resource Development Campaign in the amount of \$108,500 at December 31, 2002 were reversed against each other instead of being recognized as revenues and expenses during 2003. The accompanying financial statements have been adjusted to reflect the entries above as well as the corrections and restatements presented in Note 10 to the financial statements.

Recommendation:

We recommend that the Chamber evaluate all of its financial activities on an on-going basis, including those made by noncash activities to ensure that all transactions are accurately accounted for and reported in the proper period.

Management's Corrective Action Plan:

Management of the chamber concurs with the recommendation and has put a system into place to begin reporting non-cash transactions in a consolidated financial statement on a monthly basis. These transactions will be included as part of the financial statements and will be reviewed and approved by the Finance Committee before being presented to the Board. The Chamber will work with staff to ensure all non-cash activities will expire in the fiscal year in which they are granted in order to process them in the proper period.

All deferred revenue and receivable accounts will now be reconciled on an on-going basis in order to reflect appropriate data at year-end.

MONROE CHAMBER OF COMMERCE, INC.

Monroe, Louisiana

SUMMARY STATUS OF PRIOR YEAR FINDINGS

The following is a summary of the status of findings included in the Schedule of Findings and Questioned Costs dated March 21, 2003, issued in connection with the examination of the financial statements of the Monroe Chamber of Commerce, Inc., as of and for the year ended December 31, 2002.

Technology Opportunities Program Grant

02-01 Accounting for Federal Grant

The Chamber purchased 64 computers to be installed at each of four sites. Two of the external sites were using only 10 computers instead of fifteen as originally intended. The University of Louisiana at Monroe (ULM), a partner with the Chamber installed an additional five computers in the ULM Computer Learning Center on its campus and another five computers were being stored at ULM. In addition, three designated video-conferencing classrooms located at three Youth Opportunity Centers (YO Centers) to be used as matching funds of approximately \$126,000 did not become involved in the program. It appeared that the Chamber was unable to provide matching funds of at least \$126,000.

Status:

The computers were ordered to fit into four sites, with 15 computers being ordered per site. At the time the broadcasts started, two sites could only accommodate 10 computers. These sites are now wired sufficiently to accommodate all 15 computers. The reason ULM set up five computers was to make sure that all were working, as some of the computers had flaws. Five of the computers remained in their boxes pending testing. Now that the rooms have been rewired to accept the computers, and the sites have agreed to receive them, the computers have been moved to the Chamber office for distribution to the sites.

The grant was funded with the stipulation that a large expenditure for equipment would be made up front; matching funds do not need to keep pace with expenditures, provided that all matching funds are supplied by the end of the grant period. The Fine Arts courses originally scheduled for broadcast were not offered in the first two semesters of the grant. The YO participants were not interested in the courses offered. The YO Centers have expressed an interest in taking courses from the university that would aid Workforce Development. These courses fall within the scope of the grant. The matching funds will be reduced by about half, because they will be starting midway through the grant, but the Chamber will keep the ratio of federal funds to matching funds that was approved by the federal government by reducing future expenditures.

The Chamber has responded to inquiries from the Department of Commerce regarding findings concerning the grant contained in the audit of its financial statements for the year ended December 31, 2002. A final determination has not been received from the Department of Commerce and therefore some or all of the costs charged to this grant could be disallowed by the Department of Commerce.

MONROE CHAMBER OF COMMERCE, INC.
Monroe, Louisiana

SUMMARY STATUS OF PRIOR YEAR FINDINGS

02-02 Controls over Disbursements

Cash disbursement functions need to be segregated. The Operations Director opens all mail and retains vendor invoices for payment. He also enters payments into the Chamber's accounts payable system for posting to the general ledger. Checks over \$500 as well as payroll checks, are signed by the Operations Director and the Finance Director. In addition, neither the invoices nor disbursements are reviewed by the President or Vice President of Administration. Because the Operations Director is responsible for recording the liabilities of the Chamber, and he and the Finance Director have access to the general ledger system, neither should be authorized to sign disbursement checks.

Status:

The Chamber has put into place a procedure in which the President and/or Vice President of Administration will sign all checks which have been generated by the Operations Director and/or the Finance Director. Both the President and the Vice President of Administration sign all checks over \$500. The signature cards for all accounts have been changed to reflect the replacement of the Finance Director and Operations Director with the names of the President, Vice President of Administration, the Chairman and the Secretary/Treasurer. In the event the President and Vice President of Administration are not available to sign checks they are signed by the Chairman and the Secretary/Treasurer.



Francis I. Huffman, CPA
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MANAGEMENT LETTER

**Monroe Chamber of Commerce, Inc.
Monroe, Louisiana**

In planning and performing our audit of the financial statements of the **Monroe Chamber of Commerce, Inc.** (the Chamber) as of and for the years ended December 31, 2003 and 2002, we considered its internal controls in order to determine our auditing procedures for purposes of expressing our opinion on the financial statements and not to provide assurance on the internal controls 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. This letter will summarize our comments and suggestions. This letter does not affect our report dated March 4, 2004 on the financial statements of the Chamber.

Accounts Payable Voided Checks

Finding:

During our tests of the Chamber's accounts payable, we noted that various transactions were voided. However, the accounts payable program reinstated these amounts back into accounts payable and expenses, thereby overstating accounts payable and expenses. The Director of Finance attempted to delete these items from the schedule but was unable to do so using the instructions provided in the software manual.

Recommendation:

The software vendor should be contacted to determine proper procedures to eliminate entries that have been voided.

Management's Corrective Action Plan:

The Chamber will reconcile the aged payable report, which includes all outstanding invoices, to the accounts payable general ledger account each month. We will work with the software company, Peachtree Accounting, to resolve the issue of eliminating invoices, where that check has been voided so it does not show as outstanding. Any voided invoices will be appropriately handled in the period in which they were generated.

(A Professional Accounting Corporation)

March 4, 2004

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