

**LOUISIANA GUARDIANSHIP
SERVICES, INC.**

FINANCIAL REPORT

JUNE 30, 2012 AND 2011

LOUISIANA GUARDIANSHIP SERVICES, INC.

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Reginald A. Bresette, III
Limited Liability Company

Reginald A. Bresette, III, CPA

Member
American Institute of Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Louisiana Guardianship Services, Inc.

I have audited the accompanying statements of financial position of the Louisiana Guardianship Services, Inc. (the Company) (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America 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 audits 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 audits provided a reasonable basis for our opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Guardianship Services, Inc. as of June 30, 2012 and 2011, 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.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 12 to the financial statements, the Company has suffered recurring net losses in operations and has a net deficiency in net assets that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters also are described in Note 12. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with Government Auditing Standards, I have also issued my report dated October 31, 2012, on my consideration of Louisiana Guardianship Services, Inc.'s internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audits.

A handwritten signature in black ink, appearing to read 'Reginald A. Bresette III', with a stylized, flowing script.

Reginald A. Bresette III, LLC
Certified Public Accountants
October 31, 2012

LOUISIANA GUARDIANSHIP SERVICES, INC.
(A Not For Profit Organization)
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2012 and 2011

	<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Current Assets			
Cash held in escrow for representative payees		\$ 146,932	\$ 262,640
Receivables:			
Grants (Note 3)		55,433	81,053
Prepaid rent		1,730	1,679
Employee advances		530	
Total Current Assets		<u>204,625</u>	<u>345,372</u>
Assets restricted to investment in property, furniture, and equipment (Note 4)			
Cost, less accumulated depreciation		10,301	11,412
Security deposits		<u>1,578</u>	<u>1,578</u>
Total Assets		<u><u>\$ 216,504</u></u>	<u><u>\$ 358,362</u></u>
 <u>LIABILITIES AND NET ASSETS</u> 			
Liabilities			
Cash in bank - deficit		\$ 29,963	\$ 31,569
Accounts payable		14,991	
Accrued vested annual leave benefits		18,796	16,632
Funds held in escrow (Note 6)		146,931	262,640
Bank line of credit (Note 7)		<u>30,000</u>	<u>20,000</u>
Total Liabilities		<u>240,681</u>	<u>330,841</u>
Net Assets			
Unrestricted (deficit)		<u>(24,177)</u>	<u>27,521</u>
Total Net Assets		<u>(24,177)</u>	<u>27,521</u>
Total Liabilities and Net Assets		<u><u>\$ 216,504</u></u>	<u><u>\$ 358,362</u></u>

The accompanying notes are an integral part of this statement

LOUISIANA GUARDIANSHIP SERVICES, INC.
(A Not For Profit Organization)
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support, Revenues and Reclassifications						
Support						
Grant - Federal Government	\$ 50,318		\$ 50,318	\$ 50,318		\$ 50,318
Grant - State of Louisiana	307,440		307,440	307,440		307,440
Contributions	2,536		2,536	200		200
Total Support	360,294		360,294	357,958		357,958
Revenues						
Other revenue	12,605		12,605			
Total Revenue	12,605		12,605			
Reclassifications						
Net assets released from restrictions					\$ (2,111)	
Expiration of purpose restrictions				2,111		
Total Reclassifications				2,111	(2,111)	
Total Support, Revenues and Reclassifications	372,899		372,899	360,069		357,958
Expenses						
Program services	409,476		409,476	399,803		399,803
Management and general	15,121		15,121	14,560		14,560
Total Expenses	424,597		424,597	414,363		414,363
Increase (Decrease) in Net Assets	(51,698)		(51,698)	(54,294)		(56,405)
Beginning of year	27,521		27,521	81,815	\$ 2,111	83,926
End of year (deficit)	\$ (24,177)		\$ (24,177)	\$ 27,521	\$ 2,111	\$ 27,521

The accompanying notes are an integral part of this statement

LOUISIANA GUARDIANSHIP SERVICES, INC.
(A Not For Profit Organization)
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from the State of Louisiana	\$ 333,060	\$ 281,820
Cash received from the Federal Government	50,318	50,318
Cash collected from contributors	2,536	200
Other revenue	12,605	
Salaries	(240,997)	(248,374)
Fringe benefits	(61,968)	(51,063)
Travel	(28,492)	(29,437)
Office Expense	(2,989)	(2,618)
Accounting and professional	(9,220)	(8,573)
Dues and subscriptions	(1,064)	(850)
Duplicating and printing	(3,146)	(3,962)
Education and conferences	(4,688)	(20,586)
Insurance	(10,655)	(9,181)
Occupancy	(22,114)	(21,357)
Postage	(2,013)	(1,308)
Telephone	(10,600)	(10,814)
Administrative cost	(6,186)	(1,622)
Interest expense	(1,068)	(520)
Net cash provided (used) by operating activities	<u>(6,681)</u>	<u>(77,927)</u>
Cash flows from investing activities:		
Acquisition of fixed assets	<u>(1,713)</u>	<u>(2,947)</u>
Net cash provided (used) by investing activities	<u>(1,713)</u>	<u>(2,947)</u>
Cash flows from financing activities:		
Proceeds from bank line of credit	55,425	59,405
Payments on bank line of credit	<u>(45,425)</u>	<u>(39,405)</u>
Net cash provided (used) by financing activities	<u>10,000</u>	<u>20,000</u>
Net increase (decrease) in cash	1,606	(60,874)
Cash at beginning of year (deficit)	<u>(31,569)</u>	<u>29,305</u>
Cash at end of year (deficit)	<u><u>\$ (29,963)</u></u>	<u><u>\$ (31,569)</u></u>

The accompanying notes are an integral part of this statement

LOUISIANA GUARDIANSHIP SERVICES, INC.
(A Not For Profit Organization)
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Reconciliation of change in net assets to net cash provided (used) by operating activities:		
Change in net assets	\$ (51,698)	\$ (56,405)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,824	2,818
(Increase) Decrease in receivables	25,623	(25,620)
(Increase) Decrease in prepaid rent	(55)	
(Increase) Decrease in employee advances	(530)	
Increase (Decrease) in accounts payable	14,991	
Increase (Decrease) in vested annual leave benefits	<u>2,164</u>	<u>1,280</u>
Net cash provided (used) by operating activities	<u>\$ (6,681)</u>	<u>\$ (77,927)</u>
Supplemental data:		
Interest paid	<u>\$ 1,068</u>	<u>\$ 520</u>

The accompanying notes are an integral part of this statement

LOUISIANA GUARDIANSHIP SERVICES, INC.
(A Not For Profit Organization)
STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2012 and 2011

	2012		2011	
	TOTAL	PROGRAM SERVICES	TOTAL	PROGRAM SERVICES
Salaries	\$ 258,152	\$ 247,730	\$ 249,654	\$ 239,232
Accounting	9,220	9,220	8,573	8,573
Conferences/training	4,688	4,688	20,586	20,586
Dues and Subscriptions	1,064	1,064	850	850
Insurance				
General	10,655	10,655	9,181	9,181
Group	42,156	42,156	31,989	31,989
Depreciation	2,824		2,818	
Interest expense	1,068		520	
Miscellaneous	6,184	6,184	1,622	1,622
Occupancy (Note 5)	22,063	22,063	21,357	21,357
Office supplies	2,989	2,989	2,618	2,618
Payroll taxes	19,812	19,005	19,074	18,274
Postage	2,013	2,013	1,308	1,308
Printing and duplication	3,146	3,146	3,962	3,962
Telephone	10,600	10,600	10,814	10,814
Travel	27,963	27,963	29,437	29,437
	<u>\$ 424,597</u>	<u>\$ 409,476</u>	<u>\$ 414,363</u>	<u>\$ 399,803</u>
		<u>\$ 15,121</u>		<u>\$ 14,560</u>

The accompanying notes are an integral part of this statement

LOUISIANA GUARDIANSHIP SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – NATURE OF ACTIVITIES

Louisiana Guardianship Services, Inc. (the Company) is a private non-profit corporation organized to: (1) act as curator or continuing tutor for the person, property, or both, of adults in Louisiana in need of full or limited interdiction or continuing tutorship; (2) to act and be recognized as an agency under contract with the State of Louisiana and its political subdivisions or any department, office, agency, board or commission of either, to perform curatorship or continuing tutorship services for Louisiana citizens pursuant to Title 9, Section 1031 et. seq. of the Louisiana Revised Statutes, as amended; (3) to advance continuing legal education for judges and attorneys who are involved in interdiction and continuing tutorship proceedings; and (4) to identify the alternative agencies and existing resources within Louisiana which may meet the needs of Louisiana adults who are declined services by the corporation and to provide a system for referring such persons to these alternative agencies and resources.

Specific program objectives of DHH-OCDD (Department of Health and Hospitals-Office for Citizens with Development Disabilities) are to protect the rights and interests of mentally incapacitated persons in Louisiana with no one to make decisions on their behalf. The Company will provide the following services:

1. To provide a curator, a continuing tutor or services leading to curatorship (“guardianship services”) for persons, property or both of adults with developmental disabilities in Louisiana who are in need of full or limited interdiction or continuing tutorship.
2. To provide “advocacy services” for persons with developmental disabilities who are in DHH/OCDD custody and have no one else to independently serve in that capacity.
3. Both “guardianship services” and “advocacy services” will provide visits to the person at least monthly and make additional contacts as needed based on the person’s needs and his Individual Habilitation Plan (IHP)/Plan of Support.
4. The guardian will make decisions; The advocate will make recommendations for the person, based on what is in the person’s best interest.

NOTE 1 – NATURE OF ACTIVITIES (CONTINUED)

5. The Company will act as limited or full curator to provide services pending approval of curatorship or provide advocacy services for a minimum of 110 persons who have been approved for services by the OCDD and up to a maximum caseload of 35 persons per guardian/advocate.

Specific program objectives of DHH/OAAS (Department of Health and Hospitals-Office of Aging and Adult Services and Adult Protective Services) are to protect the rights and interests of mentally incapacitated persons in Louisiana with no one to make decisions on their behalf. The company will provide the following services:

1. The Company will act as limited or full curator or provide services pending approval of curatorship or provide guardianship services for persons who have been approved for services by the Office of Aging and Adult Services, Adult Protective Services.
2. The Company shall provide money management, curatorship, or continuing tutorship for the persons, property, or both, of adults with disabilities found to be in need of protective services in Louisiana.
3. For “guardianship services,” the Company will provide visits to the person at least monthly. A staff curator will attend all plan of care meetings on behalf of the client, make all medical and financial decisions (or per court order), and monitor all care provided; provide a monthly report to the Executive Director, and annual report to the court. (Depending on the interdict’s financial situation and the court order in regard to handling finances, some of the duties listed below may apply.)
4. For “money management” services,” client will agree to have Social Security or SSI benefits directly deposited into Company’s pooled client account, and agree to have all bills and expenses mailed to contractor. Company will pay all client bills by Money Management Program check and provide the client with a weekly allowance; Company will stay in regular contact with social workers assisting the client and these social workers will bring emergency and extraordinary needs to Company’s attention.

Specific program objectives of GOEA (Governor’s Office of Elderly Affairs) are to protect the rights and interests of mentally incapacitated persons in Louisiana with no one to make decisions on their behalf. The program will provide the following services:

1. To provide guardianship services to victims of elder abuse as identified by reports to the Elderly Protective Services program regardless of client’s parish residence. All reports/referrals to Louisiana Guardianship Services, Inc., (the Company) must have prior approval from the Elderly Protective Services Director.

NOTE 1 – NATURE OF ACTIVITIES (CONTINUED)

2. To provide consultation to the legal system about guardianship issues and to provide education regarding alternatives to guardianship.
3. To provide detailed quarterly reports of services provided under this contract.

Other specific program objectives are to provide guardianship services to elders who have no one willing or able to assume this responsibility, provide consultation to the legal system about guardianship issues, and education regarding alternatives to guardianship. The guardianship services provided include acting as full or limited guardian of an individual's financial medical, and treatment planning needs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards FASB ASC 958, *Not-For-Profit Entities*. Under Topic 958, net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Company and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that may or will be met by actions of the Company. These restrictions are considered to expire when payments for restricted purposes are met.

Permanently Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that the principal not be expended, but rather invested to provide a permanent source of income for the Company.

Uncertain Tax Positions

The Company recognizes the financial impact of a tax position when it is more likely than not that the position will be sustained upon examination. As of June 30, 2012, the Company did not have any uncertain tax positions. Tax years ended June 30, 2009 and later remain subject to examination by taxing authorities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events- Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through October 31, 2012, which is the date the financial statements were available to be issued.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/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 a 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 Company considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The Company maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Fixed assets - All expenditures for leasehold improvements and equipment are capitalized.

Depreciation on leasehold improvements is provided by using the straight-line method over the estimated life of 10 years. Depreciation on equipment is provided by using the straight-line and the declining-balance method over the estimated useful lives of 5 to 7 years.

Income taxes - The Company is a non-profit corporation organized under the laws of the State of Louisiana. It is exempt from Federal income tax under Section 501(c) (3) of the Internal Revenue Code of 1986, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is exempt from Louisiana income tax under the authority of R.S. 47:121(5).

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Vested Annual Leave Benefits - Employees are entitled to paid vacations after six months of employment. Vacation time in excess of 160 hours cannot be accrued. Terminated employees will be paid for unused vacation leave if employed in excess of six months.

Vested annual leave benefits are accrued and recorded as a liability when such compensated absences become non-forfeitable. These amounts are not charged as program expenses of Federal government grants or agency contracts, and are treated as non-allowed costs, until they are paid.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Sick leave accrues at eight hours per month, or ninety-six hours per year. There is no maximum accumulated sick leave. Sick leave does not vest with the employee and, therefore, is forfeited upon termination.

NOTE 3 - GRANTS AND CONTRACTS FOR SERVICES RECEIVABLE

The Company has incurred expenses on contracts open at June 30, 2012 and 2011, in excess of contract fees for services received at that date. A receivable has been recorded on these contracts for the excess expenses.

	<u>2012</u>	<u>2011</u>
State of Louisiana Office of Disability Affairs	\$ 51,240	\$ 76,860
State of Louisiana Office of Elderly Affairs	<u>4,193</u>	<u>4,193</u>
	<u>\$ 55,433</u>	<u>\$ 81,053</u>

NOTE 4 - PROPERTY, FURNITURE, AND EQUIPMENT

Property, furniture, and equipment represent acquisitions of tangible personal property by funds provided to the Company by a Federal government grant, a contract for services by an agency funded by the State of Louisiana, or by unrestricted funds of the Company. The Company has the right to use these assets in the programs for which they were acquired.

The U.S. Department of Health and Human Services (DHHS), and the State of Louisiana retain an equitable interest in these capital assets which must be used for the 10specified program for which they were acquired. DHHS and the State of Louisiana retain the right to require transfer of the assets back to the Federal or State governments, but this is normally exercised only if the program for which the assets were acquired would be transferred from one grantee to another.

NOTE 4 - PROPERTY, FURNITURE, AND EQUIPMENT (CONTINUED)

Property, furniture, and equipment consisted of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Equipment, furniture and fixtures	\$ 44,921	\$ 43,208
Leasehold improvements	<u>637</u>	<u>637</u>
	45,558	43,845
Less: accumulated depreciation	<u>35,257</u>	<u>32,433</u>
Net book value	<u>\$ 10,031</u>	<u>\$ 11,412</u>

Depreciation expense for the year ended June 30, 2012 and 2011 was \$ 2,824 and \$2,818 respectively.

NOTE 5 - LEASE COMMITMENTS

The Company leased office space for their main office in Metairie, Louisiana under a non-cancelable agreement accounted for as an operating lease during the year ended June 30, 2012. The lease expires August 2012. Future minimum lease payments at June 30, 2012 are \$ 1,730.

Rent expense incurred under this lease was \$ 20,658 for the year ended June 30, 2012.

NOTE 6 - FUNDS HELD IN ESCROW

This balance represents funds held in a separate Louisiana Guardianship Services, Inc., bank account for the client trust accounts. Deposits are made to this account of the client's personal funds (social security, etc.) and disbursements are drawn from this account for the client's living expenses. The funds in the bank account are the property of the client.

NOTE 7 - BANK LINE OF CREDIT

The Company has a bank line of credit which provides short-term borrowings up to \$30,000. Interest and principle on advances is payable monthly at the prime rate plus 2%. The outstanding balance is \$ 30,000 as of June 30, 2012.

NOTE 8- TEMPORARY RESTRICTIONS ON ASSETS

Temporary restricted net assets are restricted by donors for specific purposes or designated for subsequent periods.

NOTE 8– TEMPORARY RESTRICTIONS ON ASSETS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	<u>2011</u>
Purpose restrictions expired on:	
Comm Care Corporation	<u>\$2,111</u>

NOTE 9 - CREDIT RISK CONCENTRATION AND MAJOR FUNDING SOURCES

The Company receives grants and contracts for services from government agencies, which comprises the majority of its revenue.

NOTE 10 - LITIGATION AND CLAIMS

There is no pending litigation against the Company at June 30, 2012. Furthermore, the Company's management believes that any potential lawsuits would be adequately covered by insurance.

NOTE 11 - BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

NOTE 12 – GOING CONCERN

As shown in the accompanying financial statements, the Company incurred a net loss of \$51,698 and \$56,405 for the years ended June 30, 2012 and 2011 respectively. These factors as well as the problem the Company faces regarding the ability to borrow money create an uncertainty about the Company's ability to continue as a going concern.

Management of the Company is developing a two part plan to reverse the loss trend. The first part of the plan is to increase revenue by requesting additional funding from the State of Louisiana. The second part of the plan is already being implemented. Costs to operate the Company have been reduced with the closure of the office in Shreveport and staff reductions. Additional cuts are currently being examined. The ability of the Company to continue as a going concern is dependent on the implementation of these plans. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

SPECIAL REPORTS OF INDEPENDENT AUDITOR

Reginald A. Bresette, III
Limited Liability Company

Reginald A. Bresette, III, CPA

Member
American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants

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

To the Board of Directors,
Louisiana Guardianship Services, Inc.

I have audited the financial statements of Louisiana Guardianship Services, Inc. (the Company) (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued my report there on dated October 31, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my test disclosed of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2012-1 and 2012-2.

The Company's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit the Company's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, the State of Louisiana, the Legislative Auditor for the State of Louisiana, and the federal awarding agencies and pass-through entities 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 handwritten signature in black ink, appearing to read 'Reginald A. Bresette, III', with a long horizontal line extending to the right.

Reginald A. Bresette, III LLC
Certified Public Accountant

October 31, 2012

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2012

I have audited the financial statements of Louisiana Guardianship Services Inc. (the Company) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 31, 2012. 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 Comptroller General of the United States. My audit of the financial statements as of June 30, 2012, resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

- a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses – None

Significant Deficiencies – Yes

Compliance

Compliance Material to Financial Statements – No

Compliance Immaterial to Financial Statements – Yes

2012-1 Findings: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare their annual financial statements. This condition is intentional by management based upon the Company's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

Recommendation: As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports. In this case I do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management's Response: I concur with the audit finding.

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

For the Year Ended June 30, 2012

2012-2 Findings: My examination disclosed there is lack of segregation of duties within the organization. This weakness is due to the fact that the organization has a very small staff. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, since the organization has such a small staff, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also the cost of hiring additional employees to handle separate aspects of the accounting function might exceed any benefits gained.

Recommendation: Based upon the cost-benefit of hiring additional accounting personnel, it may not be feasible to achieve complete segregation of duties. I recommend that the organization's finance committee and executive director continue to closely monitor all records and transactions.

Management's Response: The Company's executive director and board concur with the recommendation.

b. Federal Awards

Internal Control

Material Weaknesses – None

Reportable Conditions – None

Compliance

Compliance Material to Financial statements - No

Compliance Immaterial to Financial statements - No

Section II Financial Statement Findings

There were no financial statement findings during the fiscal year ended June 30, 2012.

Section III Federal Award Findings and Questioned Costs

None.

SPECIAL REPORTS OF MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2012

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

Internal Control

Material Weaknesses – None

Responses – None

Compliance

Compliance Material to Financial Statements – No

Compliance Immaterial to Financial Statements – Yes

2011-1 Findings: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare their annual financial statements. This condition is intentional by management based upon the Company's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

Recently issued Statement on Auditing Standards (SAS) 112 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation: As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 112's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 112. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management's Response: We concur with the audit finding.

2011-2 Findings: Our examination disclosed there is lack of segregation of duties within the company. This weakness is due to the fact that the company has a very small staff. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, since the company has such a small staff, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also the cost of hiring additional employees to handle separate aspects of the accounting function might exceed any benefits gained.

Recommendation: Based upon the cost-benefit of hiring additional accounting personnel, it may not be feasible to achieve complete segregation of duties. We recommend that the organization's finance committee and executive director continue to closely monitor all records and transactions.

Managements Response: The company's executive director and board concur with the recommendation.

SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

In regards to federal awards, Louisiana Guardianship Services, Inc. had no material weaknesses or reportable conditions in internal control. Also, there was no compliance issues material to the federal awards.

SECTION III MANAGEMENT LETTER

There was no management letter issued for the audit year ended June 30, 2011.

MANAGEMENT CORRECTIVE ACTION PLAN

For the Year Ended June 30, 2012

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

Louisiana Guardianship Services, Inc. had no material weaknesses or reportable conditions in internal control. Also, there was no compliance issues material to the financial statements.

SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

In regards to federal awards, Louisiana Guardianship Services, Inc. had no material weaknesses or reportable conditions in internal control. Also, there was no compliance issues material to the federal awards.

SECTION III MANAGEMENT LETTER

There was no management letter issued for the audit year ended June 30, 2011.