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*Financial Report*

*Easter Seal Society of Louisiana  
For Children and Adults  
With Disabilities, Inc.*

*August 31, 2005*

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 3-8-06

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August 31, 2005 and 2004

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**FINANCIAL SECTION**



Bourgeois Bennett

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,  
Easter Seal Society of Louisiana  
for Children and Adults with Disabilities, Inc.,  
New Orleans, Louisiana.

We have audited the accompanying statements of financial position of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc., (a nonprofit organization) as of August 31, 2005 and 2004, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General for the United States. 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 Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. as of August 31, 2005 and 2004, 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 January 17, 2006 on our consideration of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s internal control over financial reporting and our tests 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 considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, Louisiana,  
January 17, 2006.

**STATEMENTS OF FINANCIAL POSITION****Easter Seal Society of Louisiana  
for Children and Adults with Disabilities, Inc.**

August 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Cash	\$ 256,758	\$ 40,183
Accounts receivable	581,175	640,787
Unconditional promises to give	-	10,000
Prepaid expenses and deposits	10,915	9,984
Unimproved real estate	16,218	16,218
Equipment	221,085	227,339
Accumulated depreciation	<u>(192,100)</u>	<u>(197,533)</u>
Total assets	<u>\$ 894,051</u>	<u>\$ 746,978</u>
<b>Liabilities</b>		
Notes payable - lines of credit	\$ -	\$ 97,300
Accounts payable	38,329	37,210
Accrued vacation	69,216	73,879
Payroll taxes payable	1,170	3,027
Unearned revenue	-	2,550
Notes payable - term loan	-	17,576
Due to National Easter Seals	<u>4,785</u>	<u>5,567</u>
Total liabilities	<u>113,500</u>	<u>237,109</u>
<b>Net Assets</b>		
Unrestricted	780,551	499,869
Temporarily restricted	<u>-</u>	<u>10,000</u>
Total net assets	<u>780,551</u>	<u>509,869</u>
Total liabilities and net assets	<u>\$ 894,051</u>	<u>\$ 746,978</u>

See notes to financial statements.

**STATEMENT OF ACTIVITIES****Easter Seal Society of Louisiana  
for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 2005

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>Totals</u>
<b>Support and Revenues</b>			
Contract fees for services -			
Case Management (Department of Health and Hospitals):			
Region 1 (New Orleans)	\$ 739,238		\$ 739,238
Region 3 (Thibodaux)	493,312		493,312
Region 6 (Alexandria)	608,620		608,620
Region 7 (Shreveport)	1,013,024		1,013,024
Region 9 (Covington)	892,206		892,206
Mental Health (Department of Health and Hospitals):			
Region 1 (New Orleans)	78,300		78,300
Region 3 (Thibodaux)	54,720		54,720
Region 9 (Covington)	50,580		50,580
Single Point of Entry (Department of Health and Hospitals):			
Region 17 (Monroe)	270,594		270,594
Region 18 (Delhi)	49,126		49,126
Special events	157,168		157,168
Contributions	99,337		99,337
Bingo (net of expenses of \$263,714 and winnings of \$911,005)	55,953		55,953
Program service fees	6,567		6,567
Miscellaneous	2,609		2,609
	<hr/>	<hr/>	<hr/>
Total support and revenues	4,571,354	-	4,571,354
Net assets released from restrictions:			
Expiration of time restrictions	10,000	(10,000)	-
	<hr/>	<hr/>	<hr/>
Total support, revenues and other support	4,581,354	(10,000)	4,571,354
	<hr/>	<hr/>	<hr/>

**Exhibit B  
(Continued)**

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>Totals</u>
<b>Expenses</b>			
Program services:			
Case management:			
Region 1 (New Orleans)	558,879		558,879
Region 3 (Thibodaux)	429,531		429,531
Region 6 (Alexandria)	558,999		558,999
Region 7 (Shreveport)	945,460		945,460
Region 9 (Covington)	798,443		798,443
Mental Health:			
Region 1 (New Orleans)	73,715		73,715
Region 3 (Thibodaux)	55,195		55,195
Region 9 (Covington)	58,570		58,570
Single Point of Entry:			
Region 17 (Monroe)	285,595		285,595
Region 18 (Delhi)	48,307		48,307
Direct services	61,138		61,138
Public health education	44,594		44,594
Professional education and training	26,434		26,434
Support services:			
Management and general	124,724		124,724
Fundraising	131,608		131,608
Support to National Easter Seals	99,480		99,480
	<u>4,300,672</u>	<u>-</u>	<u>4,300,672</u>
<b>Increase (Decrease) in Net Assets</b>	280,682	(10,000)	270,682
<b>Net Assets</b>			
Beginning of year	<u>499,869</u>	<u>10,000</u>	<u>509,869</u>
End of year	<u>\$ 780,551</u>	<u>\$ -</u>	<u>\$ 780,551</u>

See notes to financial statements.



**STATEMENT OF ACTIVITIES****Easter Seal Society of Louisiana  
for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 2004

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>Totals</u>
<b>Support and Revenues</b>			
Contract fees for services -			
Case Management (Department of Health and Hospitals):			
Region 1 (New Orleans)	\$ 594,405		\$ 594,405
Region 3 (Thibodaux)	453,310		453,310
Region 6 (Alexandria)	530,846		530,846
Region 7 (Shreveport)	949,389		949,389
Region 9 (Covington)	815,238		815,238
Mental Health (Department of Health and Hospitals):			
Region 1 (New Orleans)	92,760		92,760
Region 3 (Thibodaux)	54,120		54,120
Region 9 (Covington)	54,120		54,120
Single Point of Entry (Department of Health and Hospitals):			
Region 17 (Monroe)	245,400		245,400
Region 18 (Delhi)	166,922		166,922
Grant - U.S. Department of Education, Mississippi Delta Project	17,964		17,964
Special events	182,138		182,138
Contributions	75,829	\$ 1,362	77,191
Bingo (net of expenses of \$194,888 and winnings of \$778,256)	25,799		25,799
Program service fees	530		530
Miscellaneous	21,964		21,964
	<u>4,280,734</u>	<u>1,362</u>	<u>4,282,096</u>
<b>Total support and revenues</b>			
Net assets released from restrictions:			
Expiration of time restrictions	122,295	(122,295)	-
	<u>122,295</u>	<u>(122,295)</u>	<u>-</u>
<b>Total support, revenues and   other support</b>	<u>4,403,029</u>	<u>(120,933)</u>	<u>4,282,096</u>

**Exhibit B-1  
(Continued)**

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>Totals</u>
<b>Expenses</b>			
Program services:			
Case management:			
Region 1 (New Orleans)	521,609		521,609
Region 3 (Thibodaux)	377,706		377,706
Region 6 (Alexandria)	489,376		489,376
Region 7 (Shreveport)	812,876		812,876
Region 9 (Covington)	673,715		673,715
Mental Health:			
Region 1 (New Orleans)	86,368		86,368
Region 3 (Thibodaux)	55,360		55,360
Region 9 (Covington)	58,871		58,871
Single Point of Entry:			
Region 17 (Monroe)	246,203		246,203
Region 18 (Delhi)	164,615		164,615
Direct services	101,879		101,879
Public health education	60,468		60,468
Professional education and training	42,747		42,747
Support services:			
Management and general	140,721		140,721
Fundraising	134,987		134,987
Support to National Easter Seals	97,377		97,377
	<u>4,064,878</u>	<u>-</u>	<u>4,064,878</u>
<b>Increase (Decrease) in Net Assets</b>	338,151	(120,933)	217,218
<b>Net Assets</b>			
Beginning of year	<u>161,718</u>	<u>130,933</u>	<u>292,651</u>
End of year	<u>\$ 499,869</u>	<u>\$ 10,000</u>	<u>\$ 509,869</u>

See notes to financial statements.

## STATEMENT OF FUNCTIONAL EXPENSES

### Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.

For the year ended August 31, 2005

	Program Services				
	Case Management				
	Region 1	Region 3	Region 6	Region 7	Region 9
Salaries	\$ 379,823	\$ 292,116	\$ 374,585	\$ 625,648	\$ 534,535
Employee health and retirement and benefits	35,329	23,666	45,289	70,685	47,427
Payroll taxes	30,333	22,706	28,562	48,509	42,554
Bad debt expense	17,075	6,886	17,235	19,454	17,494
Conferences, conventions and meetings	526	176	229	1,131	563
Equipment maintenance	2,939	2,504	2,138	6,173	5,342
Equipment rental	7,928	5,518	7,225	14,039	9,103
Fundraising prizes					
Insurance	3,140	3,140	3,140	3,489	3,489
Interest expense	114	114	114	126	126
Licenses and fees	600	600	600		600
Media expenses	802	610		1,468	229
Membership dues to professional associations		110		50	
Miscellaneous	2,242	2,312	1,867	4,555	2,624
Office expense		273			
Occupancy	28,469	19,062	19,305	43,687	54,072
Outside printing	863	385	56	1,534	592
Postage	3,804	2,602	3,443	8,704	7,334
Professional fees and contract service payments	9,232	7,991	3,906	11,241	9,629
Specific assistance to individuals					
Supplies	7,877	5,105	10,377	15,476	8,653
Support to National Easter Seals					
Telephone	6,399	11,770	7,344	12,971	10,942
Travel	19,681	20,575	31,881	53,638	40,646
	<u>557,176</u>	<u>428,221</u>	<u>557,296</u>	<u>942,578</u>	<u>795,954</u>
Total expenses before depreciation					
Depreciation of property and equipment	1,703	1,310	1,703	2,882	2,489
Total expenses	<u>\$ 558,879</u>	<u>\$ 429,531</u>	<u>\$ 558,999</u>	<u>\$ 945,460</u>	<u>\$ 798,443</u>

See notes to financial statements.

Exhibit C

	Program Services						Support Services			Totals	
	Mental Health		Single Point Of Entry		Direct Services	Public Health Education	Professional Education and Training	Management And General	Fundraising		Support To National Easter Seals
	Region 1	Region 3	Region 9	Region 17							
\$ 50,687	\$ 35,201	\$ 39,682	\$ 179,183	\$ 30,580	\$ 11,850	\$ 25,786	\$ 8,526	\$ 2,588,202	\$ 32,893	\$ 59,768	\$ 2,680,863
2,709	4,614	4,846	19,514	3,358	301	1,879	621	257,738	33,536	6,195	297,469
3,990	2,763	2,547	14,052	2,439	920			201,875	3,123	4,570	209,568
			2,050					80,194	5,000		85,194
789	438		776	131		81	2,834	6,366	659	2,236	9,261
			2,317	461	129	327		22,130	3,384	65	25,579
			6,076	899				52,909	3,364	600	56,873
698	698		1,744	1,047	5,230	1,047	1,047	28,607	4,535	4,287	34,886
25	25		63	38	189	38	38	1,035	164	63	1,262
			223		3,091			2,400	25	5,058	7,483
								6,423	1,282	950	8,655
374	103		1,561	65				160	725		885
								15,806	7,876	59	23,741
2,200	1,100	1,100	19,452	3,091	15,404	8,802	8,802	273	967		1,240
			137		1,114	4,001		224,546	11,003	10,210	245,759
			2,919	392	1,207			8,682	1,337	7,875	17,894
								30,563	913	1,821	33,297
4,326	4,291	4,290	1,529	651	5,972	616	616	64,290	2,669	5,220	72,179
1,012	292	822	3,786	276	10,340	959		10,340	3,706	15,028	10,340
1,825	1,390	875	11,588	2,073	129	796	120	68,222	4,700	2,470	73,781
4,818	4,149	2,680	17,709	2,675	4,588		3,699	206,739	2,470	2,996	99,480
											75,392
73,453	55,064	58,439	284,679	48,176	60,876	44,332	26,303	3,932,547	124,331	131,215	4,287,573
262	131		916	131	262	262	131	12,313	393	393	13,099
\$ 73,715	\$ 55,195	\$ 58,570	\$ 285,595	\$ 48,307	\$ 61,138	\$ 44,594	\$ 26,434	\$ 3,944,860	\$ 124,724	\$ 131,608	\$ 4,300,672

## STATEMENT OF FUNCTIONAL EXPENSES

### Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.

For the year ended August 31, 2004

	<u>Program Services</u>				
	<u>Case Management</u>				
	<u>Region 1</u>	<u>Region 3</u>	<u>Region 6</u>	<u>Region 7</u>	<u>Region 9</u>
Salaries	\$ 354,802	\$ 245,570	\$ 329,991	\$ 535,867	\$ 441,312
Employee health and retirement and benefits	29,841	22,066	36,484	53,574	40,289
Payroll taxes	28,719	19,658	25,084	41,596	35,206
Cancellation of in-kind rent					
Bad debt expense	14,579	5,589	9,037	25,079	18,363
Conferences, conventions and meetings	377	136	276	1,298	551
Equipment maintenance	2,683	2,108	2,297	5,185	5,189
Equipment rental	9,031	8,958	8,346	12,293	9,602
Fundraising Prizes					
Insurance	2,608	2,608	2,608	3,260	3,426
Interest expense	856	856	856	1,070	1,186
Licenses and fees	600	600	600	700	600
Media expenses	680	1,116	209	1,089	374
Membership dues to professional associations		110			
Miscellaneous	1,410	1,988	1,244	1,463	2,265
Office expense	53		458	3,598	2,062
Occupancy	29,240	18,386	19,332	39,449	44,782
Outside printing	1,082	344	337	875	1,194
Postage	3,334	2,248	2,528	6,053	4,856
Professional fees and contract service payments	10,377	7,854	6,319	10,101	9,847
Specific assistance to individuals					
Supplies	7,165	6,418	8,563	10,472	5,646
Support to National Easter Seals					
Telephone	5,908	7,223	6,551	13,714	10,388
Travel	16,575	22,571	26,697	43,412	34,369
	<u>519,920</u>	<u>376,407</u>	<u>487,817</u>	<u>810,148</u>	<u>671,507</u>
Total expenses before depreciation					
Depreciation of property and equipment	1,689	1,299	1,559	2,728	2,208
	<u>521,609</u>	<u>377,706</u>	<u>489,376</u>	<u>812,876</u>	<u>673,715</u>
Total expenses					

See notes to financial statements.

Program Services										Support Services		
Mental Health			Single Point of Entry		Public Health Education		Professional Education and Training	Management And General	Fundraising	Support To National Easter Seals	Totals	
Region 1	Region 3	Region 9	Region 17	Region 18	Direct Services	Public Health Education	Professional Education and Training	Management And General	Fundraising	Support To National Easter Seals	Totals	
\$ 59,620	\$ 36,266	\$ 37,638	\$ 148,148	\$ 86,325	\$ 19,534	\$ 26,362	\$ 8,560	\$ 44,040	\$ 59,089		\$ 2,433,124	
5,009	2,078	4,236	11,184	9,059	338	2,073	677	35,639	3,148		252,945	
4,309	2,708	2,442	11,857	6,754	1,596	2,073	22,459	1,818	4,694		189,191	
					39,303	22,459		28,074			112,295	
											72,647	
15	15	15	324	178	144	20	4,369	895	1,230		9,843	
894	438	438	1,782	1,501	9	132		1,296	166		22,527	
			5,152	2,472	47	185		2,908	578		61,342	
									16,438		16,438	
978	978	978	1,956	1,956	4,564	978	978	3,260	1,630		32,766	
321	321	321	643	643	1,498	321	321	1,070	535		10,818	
417	417	417						392	4,704		9,447	
	173		303					590	1,173		5,707	
50	25		927	654		110		775			885	
			1,395	1,320		10,026		3,496	1,869		15,391	
2,200	1,100	1,100	20,350	9,733	3,874	2,214	2,214	2,766			8,886	
			10,239	22,000	1,170	3,861		1,074	8,378		196,740	
	6	22	2,753	1,617	1,428			1,036	1,222		50,554	
4,957	4,427	4,506	934	885	5,478	391	391	1,303	5,931		27,103	
1,029	514	1,249	6,547	4,232	15,457	590		3,799	17,928		73,701	
					641						15,457	
2,063	1,162	2,038	9,427	5,694	1,254	614	179	4,495	1,945	\$ 97,377	74,793	
4,246	4,602	3,162	11,503	9,072	5,154	8	2,469	1,476	3,939		97,377	
											72,655	
86,108	55,230	58,741	245,424	164,095	101,489	60,208	42,617	140,202	134,597	97,377	4,051,887	
260	130	130	779	520	390	260	130	519	390		12,991	
\$ 86,368	\$ 55,360	\$ 58,871	\$ 246,203	\$ 164,615	\$ 101,879	\$ 60,468	\$ 42,747	\$ 140,721	\$ 134,987	\$ 97,377	\$ 4,064,878	

**STATEMENTS OF CASH FLOWS****Easter Seal Society of Louisiana  
for Children and Adults with Disabilities, Inc.**

For the years ended August 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 270,682	\$ 217,218
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	13,099	12,991
(Increase) decrease in operating assets:		
Accounts receivable	59,612	(52,840)
Unconditional promises to give	10,000	120,933
Prepaid expenses and deposits	(931)	(535)
Increase (decrease) in operating liabilities:		
Bank overdraft	-	(2,463)
Accounts payable	1,119	(22,626)
Accrued vacation	(4,663)	12,482
Payroll taxes payable	(1,857)	(23,161)
Unearned revenue	(2,550)	(43,982)
Due to National Easter Seals	(782)	(142,028)
Total adjustments	<u>73,047</u>	<u>(141,229)</u>
Net cash provided by operating activities	<u>343,729</u>	<u>75,989</u>
<b>Cash Flows Used In Investing Activities</b>		
Purchases of property and equipment	<u>(12,278)</u>	<u>(2,760)</u>
<b>Cash Flows From Financing Activities</b>		
Net repayments on lines of credit	(97,300)	(33,700)
Payments on notes payable	<u>(17,576)</u>	<u>(5,695)</u>
Net cash used in financing activities	<u>(114,876)</u>	<u>(39,395)</u>
<b>Net Increase In Cash</b>	216,575	33,834
<b>Cash</b>		
Beginning of year	<u>40,183</u>	<u>6,349</u>
End of year	<u>\$ 256,758</u>	<u>\$ 40,183</u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**Easter Seal Society of Louisiana  
for Children and Adults with Disabilities, Inc.**

August 31, 2005 and 2004

**Note 1 - NATURE OF ACTIVITIES**

The Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. (the "Organization"), d/b/a Easter Seals Louisiana, is a non-profit, community-based healthcare agency organized under the laws of the State of Louisiana. The mission of the Organization is to help children and adults with disabilities of all ages, and their families, obtain, and effectively utilize resources necessary to lead more independent and purposeful lives. The Organization maintains programs and services that create an acceptance toward people with disabilities through the following: Camperships, Equipment Loan and Specific Assistance, Scoliosis Screenings, Post Polio Support Network, Support Coordination (Case Management), and Early Intervention Services.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Organization and Income Taxes**

The Organization is a nonprofit corporation organized under the laws of the State of Louisiana in 1951. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is also exempt from Louisiana income tax under the authority of R.S.47:121(5).

**b. Basis of Accounting**

The financial statements of the Organization are prepared on the accrual basis of accounting generally accepted in the United States of America.



**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c. Financial Statement Presentation**

Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations", requires the reporting of information regarding financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets, based on donor stipulations and restrictions placed on contributions, if any.

**d. 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. Actual results could differ from those estimates.

**e. Unconditional Promises to Give**

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**f. Contributions**

Contributions 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 a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. 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. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**g. Accounts receivable**

The Organization provides services under contracts entered into with various state and local agencies. Accounts receivable includes amounts billed under these contracts and amounts due from patients for services provided.

A major portion of the accounts receivable balance as of August 31, 2005 and 2004 is from the Louisiana Department of Health and Hospitals. The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided as of August 31, 2005 and 2004.

**h. Property and Equipment**

Property and equipment are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Donated property is recorded at its fair market value at the date of donation.

**i. Allocated Expenses**

The cost of providing the various programs and other activities are summarized in the statement of functional expenses. Certain expenses have been allocated among the programs and supporting services based on management's estimate of the costs involved.

**Note 3 - UNCONDITIONAL PROMISES TO GIVE**

The Organization occupies an office at 305 Baronne Street in New Orleans, Louisiana. The Organization had a lease for this space under which the annual rent was substantially free, \$1 per year, for which the estimated fair value of the rent was \$48,000 per year. An unconditional promise to give was recorded as an asset, and each year the fair value of the rent was recorded as an occupancy expense with a corresponding reduction of the asset. The lease term ended June 30, 2006. Due to the sale of the building during the year ended August 31, 2004, this lease was cancelled. This caused the abandonment of the in-kind rent which was recorded as an unconditional promise to give. The Organization has entered into a new lease for the space for which rent will be paid.

**Note 3 - UNCONDITIONAL PROMISES TO GIVE (Continued)**

The Organization received a \$50,000 donation from the Ms. Ann Lowenburg in June 2000 which was received over five years in the amount of \$10,000 per year. The funds are to be used to enhance the Specific Assistance/Equipment Loan Program offered by Easter Seals Louisiana, which makes available the purchase and/or loan of wheelchairs, walkers, crutches, canes, commodes, child care seats, etc. to families while they search for a permanent provider. The final payment was received during the year ended August 31, 2005.

The unconditional promise to give at August 31, 2004 was as follows:

Net unconditional promise to give by the Lowenburg Family Supporting Foundation, due in less than one year	<u>\$10,000</u>
--	-----------------

**Note 4 - PROPERTY AND EQUIPMENT**

At August 31, 2005 and 2004, the cost of property and equipment and accumulated depreciation were as follows:

	2005	2004
Equipment:		
Furniture and fixtures	\$ 139,103	\$ 139,103
Transportation equipment	29,257	47,789
Office equipment	52,725	40,447
Total equipment	221,085	227,339
Unimproved real estate	16,218	16,218
Less accumulated depreciation	(192,100)	(197,533)
Net property and equipment	\$ 45,203	\$ 46,024

**Note 4 - PROPERTY AND EQUIPMENT (Continued)**

Depreciation expense was \$13,099 and \$12,991 for the years ended August 31, 2005 and 2004, respectively.

**Note 5 - NOTES PAYABLE**

The Organization's obligations under notes payable consisted of the following at August 31, 2004:

Line of credit with Whitney National Bank, the line of credit limit is \$175,000; the interest rate on the line of credit was 6% at August 31, 2004. The line of credit was paid in full in July 2005, and there is no outstanding balance at August 31, 2005. The maturity date of this line of credit is July 28, 2006.	\$ 97,300
Note payable to GMAC Financing, payable in 60 monthly installments of principal and interest of \$524, the note bears interest at 2.9%. The note was paid in full in August 2005.	<u>17,576</u>
Total notes payable	<u>\$114,876</u>

The line of credit was secured by deposit accounts maintained in Whitney National Bank and all accounts receivable.

Interest expense on notes payable was \$1,262 and \$7,156 for the years ended August 31, 2005 and 2004, respectively.

**Note 6 - OPERATING LEASES**

The Organization leases certain office facilities in New Orleans, Shreveport, Covington, Delhi, Monroe, Alexandria, Thibodaux, and Metairie. Rent expense related to these leases was \$191,598 and \$159,128 for the years ended August 31, 2005 and 2004, respectively.

**Note 6 - OPERATING LEASES (Continued)**

The future minimum lease payments under the above described leases are as follows:

Years Ending <u>August 31,</u>	
2006	\$155,396
2007	43,806
2008	21,000
2009	<u>12,250</u>
Total	<u>\$232,452</u>

**Note 7 - EMPLOYEE BENEFIT PLANS**

The Organization sponsors a defined benefit plan that covers substantially all employees. The plan provides benefits to be paid to eligible employees at retirement based primarily upon years of service with the organization and compensation rates near retirement. Contributions to the plan reflect benefits attributed to employees' services to date, as well as services expected to be earned in the future. Plan assets consist primarily of common and preferred stock, investment-grade corporate bonds, and U.S. government obligations.

There is no service cost for the years ended August 31, 2005 and 2004.

The following sets forth the funded status of the plan at August 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Actuarial present value of benefit obligations:		
Vested benefits	\$ 551,492	\$ 500,652
Nonvested benefits	<u>-</u>	<u>-</u>
Accumulated benefit obligations	551,492	500,652
Fair value of assets held in plan	<u>366,367</u>	<u>352,843</u>
Excess of projected benefit obligations over plan assets	(185,125)	(147,809)
Unrecognized actuarial loss	<u>205,189</u>	<u>166,337</u>
Prepaid benefit cost	<u>\$ 20,064</u>	<u>\$ 18,528</u>

**Note 7 - EMPLOYEE BENEFIT PLANS (Continued)**

The excess of projected benefit obligations over plan assets is amortizable over the remaining service periods of covered employees. Management has determined that the annual amortization is insignificant, and this amortization and related liability have not been recorded.

The Organization's Board of Directors voted at its June 1, 2000 meeting to freeze the pension plan effective September 1, 2000. This freeze is in anticipation of terminating the plan at a future date.

The Organization maintains a defined contribution retirement plan, which allows participants to contribute by salary reduction pursuant to Section 403(b) of the Internal Revenue Code.

**Note 8 - RELATED PARTY TRANSACTIONS**

The Organization is affiliated with the National Easter Seals (Easter Seals) and pays an annual membership fee. The fees were \$99,480 and \$97,377 for the years ended August 31, 2005 and 2004, respectively. Easter Seals provides supplies for certain campaigns and charges the Organization for those supplies. Easter Seals also remits to the Organization contributions collected on behalf of the Organization. At August 31, 2005 and 2004, the Organization owes Easter Seals \$4,785 and \$5,567, respectively. Interest charged on the balances due Easter Seals was \$1,153 for 2004.

**Note 9 - SIGNIFICANT CONTRACTS AND GRANTS**

For the years ended August 31, 2005 and 2004, approximately \$3,746,000 and \$3,343,000, respectively, of contract revenue was from the State of Louisiana Department of Health and Hospitals acting as a Medicaid fiscal intermediary, approximately \$503,000 and \$613,000, respectively, of contract revenue was from the State of Louisiana Department of Health and Hospitals acting as a pass through entity for federal grants and \$18,000 of grant revenue was received from the U.S. Department of Education for 2004. The State provides annual contracts to the Organization which grant the State the right to audit program accounts and activities. The State, acting as the Medicaid intermediary for Medicaid patients, reimburses

**Note 9 - SIGNIFICANT CONTRACTS AND GRANTS (Continued)**

services rendered to Medicaid program beneficiaries under an allowable cost reimbursement formula that is subject to audit and retroactive adjustments. Management believes that the Organization is in compliance with the provisions of these contracts and grants and that the findings of an audit, if any, would not have a material impact on the financial statements.

**Note 10 - RISK MANAGEMENT**

The Organization is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the years ended August 31, 2005 and 2004.

**Note 11 - CASH FLOWS INFORMATION**

Cash payments of interest during the years ended August 31, 2005 and 2004 were \$1,262 and \$10,818, respectively.

**Note 12 - SUBSEQUENT EVENT**

On August 29, 2005, New Orleans and the surrounding areas suffered a natural disaster, Hurricane Katrina. The Organization did not have a significant loss regarding its buildings, furniture, or equipment. The telephone system in Thibodaux suffered electrical damage and had to be replaced. Insurance will cover the cost of the system, less the deductible. The Region 1 Support Coordination Program Office, located in Metairie, lost 100 consumers (clients) due to out of state evacuations, and another 70 individuals are currently living elsewhere in Louisiana. The number of employees for this program has been reduced by nine. The net revenue for this program, as well as other programs in the state is not expected to be affected significantly. Development (fund raising) activities, such as the Northshore Golf Tournament, Bingo and Walk With Me will be impacted considerably. However, due to the anticipated recovery from business interruption insurance and an anticipated reduction in the 2006 membership fee by National Easter Seals, management feels that there will be no significant effect on future operations.

**SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**





Bourgeois Bennett

**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,  
Easter Seal Society of Louisiana  
for Children and Adults with Disabilities, Inc.,  
New Orleans, Louisiana.

We have audited the financial statements of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. (a nonprofit organization) as of and for the year ended August 31, 2005, and have issued our report thereon dated January 17, 2006. We conducted our 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 our audit, we considered Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'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 an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a reportable 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 caused by error of fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provision 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 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.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, Louisiana,  
January 17, 2006.



Bourgeois Bennett

**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,  
Easter Seal Society of Louisiana  
for Children and Adults with Disabilities, Inc.,  
New Orleans, Louisiana.

**Compliance**

We have audited the compliance of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. 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 its major federal program for the year ended August 31, 2005. Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s management. Our responsibility is to express an opinion on Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we 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 Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.'s compliance with those requirements.

In our opinion, Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended August 31, 2005.

### **Internal Control Over Compliance**

The management of Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Easter Seal Society of Louisiana for Children and Adults with Disabilities, 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 our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our 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 caused by error or fraud 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana and 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.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants

New Orleans, Louisiana,  
January 17, 2006.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Easter Seal Society of Louisiana  
for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 2005

<u>Federal Grantor / Pass Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education:		
Passed through Louisiana Department of Health and Hospitals:		
Special Education – Grants for Infants and Families with Disabilities	84.181A	\$319,720
U.S. Department of Health and Human Services:		
Passed through Louisiana Department of Health and Hospitals:		
Block Grant for Community Mental Health Services	93.958	<u>183,600</u>
Total		<u>\$503,320</u>

See notes to schedule of expenditures of federal awards.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Easter Seal Society of Louisiana  
for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 2005

**Note 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**Note 2 - FINDINGS OF NONCOMPLIANCE**

No federal award findings or questioned costs were reported during the audit for the year ended August 31, 2005.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Easter Seal Society of Louisiana  
for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 2005

**Section I - Summary of Auditor's Results**

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Reportable condition(s) identified that are  
not considered to be material weakness  yes  none reported

Noncompliance material to financial statements noted?  yes  no

b) Federal Awards

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Reportable condition(s) identified that are  
not considered to be material weakness  yes  none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be  
reported in accordance with section 510(a) of  
Circular A-133  yes  no

**Section I - Summary of Auditor's Results (Continued)**

c) Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.181A	Special Education – Grants for Infants and Families with Disabilities
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as a low-risk auditee?	<u>X</u> yes ___ no

**Section II - Financial Statement Findings**

No financial statement findings were noted during the audit of the basic financial statements for the year ended August 31, 2005.

**Section III - Federal Award Findings and Questioned Costs**

No federal award findings or questioned costs were reported during the audit for the year ended August 31, 2005.



**REPORTS BY MANAGEMENT**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS**

**Easter Seal Society of Louisiana  
for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 2005

**Section I - Internal Control and Compliance Material to the Financial Statements**

Internal Control

No material weaknesses were noted during the audit for the year ended August 31, 2004.

No reportable conditions were reported during the audit for the year ended August 31, 2004.

Compliance

No compliance findings material to the basic financial statements were noted during the audit for the year ended August 31, 2004.

**Section II - Internal Control and Compliance Material To Federal Awards**

No findings or questioned cost material to the Federal awards programs were noted during the audit of the financial statements for the year ended August 31, 2004.

**Section III - Management Letter**

A management letter was not issued in connection with the audit of the financial statement for the year ended August 31, 2004

## **MANAGEMENT'S CORRECTIVE ACTION PLAN**

### **Easter Seal Society of Louisiana for Children and Adults with Disabilities, Inc.**

For the year ended August 31, 2005

#### **Section I - Internal Control and Compliance Material to the Financial Statements**

##### **Internal Control**

No material weaknesses were noted during the audit for the year ended August 31, 2005.

No reportable conditions were reported during the audit for the year ended August 31, 2005.

##### **Compliance**

No compliance findings material to the basic financial statements were noted during the audit for the year ended August 31, 2005.

#### **Section II - Internal Control and Compliance Material To Federal Awards**

No findings or questioned costs were reported during the audit for the year ended August 31, 2005.

#### **Section III - Management Letter**

A management letter was not issued in connection with the audit for the year ended August 31, 2005.