

Sisters of Emmanuel, Inc.

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

June 30, 2010

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

11/10/10

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Sisters of Emmanuel, Inc.  
Lake Charles, LA

We have audited the accompanying statements of financial position of Sisters of Emmanuel, Inc. (a nonprofit organization) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the six months 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 audit.

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. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Sisters of Emmanuel, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the six months 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 October 20, 2010, on our consideration of Sisters of Emmanuel, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.



October 20, 2010

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**Sisters of Emmanuel, Inc.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2010**

**ASSETS**

|                             |                             |
|-----------------------------|-----------------------------|
| <b>CURRENT ASSETS</b>       |                             |
| Cash and cash equivalents   | \$ 237,983.40               |
| Accounts receivable         |                             |
| Grants and contracts        | <u>66,980.04</u>            |
| <b>Total Current Assets</b> | <u><u>304,963.44</u></u>    |
| <br>                        |                             |
| <b>TOTAL ASSETS</b>         | <u><u>\$ 304,963.44</u></u> |

**LIABILITIES AND NET ASSETS**

|   |                             |
|---|-----------------------------|
| <b>CURRENT LIABILITIES</b>              |                             |
| Accrued liabilities                     | <u>\$ 4,904.53</u>          |
| <b>Total Current Liabilities</b>        | 4,904.53                    |
| <br>                                    |                             |
| <b>NET ASSETS</b>                       |                             |
| Unrestricted                            | <u>300,058.91</u>           |
| <b>Total Net Assets</b>                 | <u><u>300,058.91</u></u>    |
| <br>                                    |                             |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <u><u>\$ 304,963.44</u></u> |

See notes to the financial statements

**Sisters of Emmanuel, Inc.**  
**STATEMENTS OF ACTIVITIES**  
**For the Six Months Ended June 30, 2010**

|                                      | <u>Unrestricted</u>  | <u>Temporarily<br/>Restricted</u> | <u>2010</u>          |
|--------------------------------------|----------------------|-----------------------------------|----------------------|
| <b>SUPPORT AND REVENUE</b>           |                      |                                   |                      |
| Grants and contracts                 | \$ -                 | \$ 289,406.64                     | \$ 289,406.64        |
| Counseling fees                      | -                    | 8,828.00                          | 8,828.00             |
| Donations                            | 4,900.00             | -                                 | 4,900.00             |
| Interest income                      | 1,056.26             | -                                 | 1,056.26             |
| Net assets released from restriction | <u>298,234.64</u>    | <u>(298,234.64)</u>               | <u>-</u>             |
|                                      | 304,190.90           | -                                 | 304,190.90           |
| <b>EXPENSES</b>                      |                      |                                   |                      |
| Functional expenses                  |                      |                                   |                      |
| Program service                      | 242,375.93           | -                                 | 242,375.93           |
| Administrative                       | <u>28,500.00</u>     | <u>-</u>                          | <u>28,500.00</u>     |
| <b>TOTAL EXPENSES</b>                | <u>270,875.93</u>    | <u>-</u>                          | <u>270,875.93</u>    |
| Change in Net Assets                 | 33,314.97            | -                                 | 33,314.97            |
| Net Assets at Beginning of Year      | <u>266,743.94</u>    | <u>-</u>                          | <u>266,743.94</u>    |
| Net Assets at End of Year            | <u>\$ 300,058.91</u> | <u>\$ -</u>                       | <u>\$ 300,058.91</u> |

See notes to the financial statements

**Sisters of Emmanuel, Inc.**  
**Statement of Functional Expenses**  
**For the Six Months Ended June 30, 2010**

|                               | <u>Program</u><br><u>Expenses</u> | <u>Administrative</u><br><u>Expenses</u> | <u>Total</u>         |
|-------------------------------|-----------------------------------|--|----------------------|
| Salaries and related benefits | \$ 216,893.98                     | \$ 22,500.00                             | \$ 239,393.98        |
| Mileage reimbursement         | 8,252.64                          | -  | 8,252.64             |
| Occupancy                     | 4,800.00                          | -  | 4,800.00             |
| Supplies                      | 3,680.35                          | -  | 3,680.35             |
| Other operating expenses      | 8,748.96                          | -  | 8,748.96             |
| Professional fees             | -                                 | 6,000.00                                 | 6,000.00             |
|                               | <u>\$ 242,375.93</u>              | <u>\$ 28,500.00</u>                      | <u>\$ 270,875.93</u> |

See notes to the financial statements

**Sisters of Emmanuel, Inc.**  
**STATEMENT OF CASH FLOWS**  
**For the Six Months Ended June 30, 2010**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   |                             |
|---|-----------------------------|
| Change in Net Assets                                  | \$ 33,314.97                |
| Adjustments to reconcile change in Net Assets:        |                             |
| Decrease (Increase) in operating assets:              |                             |
| Accounts Receivable                                   |                             |
| Grants and contracts                                  | (4,671.15)                  |
| Prepaid expenses                                      | 2,042.50                    |
| Increase (Decrease) in operating liabilities:         |                             |
| Accrued Liabilities                                   | <u>(230.80)</u>             |
| Total Adjustments                                     | <u>(2,859.45)</u>           |
| Net Cash Provided By Operating Activities             | 30,455.52                   |
| <br>  |                             |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>      | <b>30,455.52</b>            |
| <br>  |                             |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b> | <b><u>207,527.88</u></b>    |
| <br>  |                             |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>       | <b><u>\$ 237,983.40</u></b> |

See notes to the financial statements

Sisters of Emmanuel, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Sisters of Emmanuel, Inc. (Sisters of Emmanuel) is presented to assist in understanding Sisters of Emmanuel's financial statements.

Nature of Activities

The Organization is a nonprofit, community-based program governed by a volunteer board of directors. The Organization makes available to all people professional counseling, either through private pay by individuals or school based counseling funded by government contracts. Its activities cover the Parishes of Calcasieu and Allen.

Effective June 30, 2010, the Office of Mental Health-Region 5 will be terminating the School Based Mental Health Services contract with Sisters of Emmanuel, Inc. The state mental health system has redesigned the programs to utilize the limited funds available and the school-based services are not in line with the new system design. Sisters of Emmanuel, Inc. will continue to provide professional counseling through private practice.

Basis of Accounting

The accompanying financial statements presented herein have been prepared on the accrual basis in accordance with generally accepted accounting principles.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash within ninety (90) days of purchase.

Support and Expenses

The Organization receives substantially all of its revenues from either contracts with Federal, State, and Parish agencies or from individuals for fee based counseling services. Revenues are recognized as earned.

Expenses are recorded as incurred in accordance with the accrual basis of accounting.

Financial Statement Presentation

To ensure observance of limitations and restrictions placed on the use of available resources, the accounts of the Organization are maintained in accordance with the principles of fund accounting. Under such principles, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. The Organization also prepares financial statements in accordance with FASB Accounting Standards Codification (ASC) 958-205 and subsections (formerly Statement of Financial Accounting Standards ["SFAS"] No. 117, Financial Statements of Not-for-Profit Organizations ["SFAS 117"]). Under SFAS 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Sisters of Emmanuel, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
CONTINUED**

Support and revenue

All support is considered to be available for unrestricted use unless specifically restricted by the donor/grantor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(C) (3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, Sisters of Emmanuel has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the six months ended June 30, 2010.

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.

**NOTE B GRANTS AND CONTRACTS RECEIVABLE**

Grants and contracts receivable represents amounts due from various Federal and State agencies and are deemed to be fully collectible by management. As of June 30, 2010, the Organization had a total grant receivable of \$66,980.04 from the State of Louisiana as follows:

|                    | <u>2010</u>        |
|--------------------|--------------------|
| June Reimbursement | \$14,078.38        |
| 10% Retainage      | <u>52,901.66</u>   |
| Total Receivable   | <u>\$66,980.04</u> |

In lieu of a performance bond, the state holds a retainage of 10% from all bills under the contract as surety for performance. The retainage is paid upon completion of the contract year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE C NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor/grantor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors/grantors. During the six months ended June 30, 2010, the total amount released from restriction was \$298,235.

**NOTE D DONATED MATERIALS AND SERVICES**

Volunteers have made contributions of their time to Sisters of Emmanuel. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

The Catholic Charismatic Center provided the free use of space for the Organization. Management estimates the value of donated space to be \$4,800 for the six months ended June 30, 2010. This donation is recorded as contributions with the corresponding charge to rent.

**NOTE E FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and other activities have been summarized on a program basis in the statement of activities. This requires the allocation of certain costs between program and supporting services based on estimates made by management.

**NOTE F CONCENTRATION OF CREDIT RISK**

The Organization maintains its cash accounts in commercial banks. Accounts at commercial banks were insured by the Federal Deposit Insurance Corporation up to \$250,000 as of June 30, 2010.

**NOTE G RISKS AND UNCERTAINTIES**

The Organization receives a substantial amount of its support from governmental agencies. A significant reduction in this support, if it were to occur, would affect the Organization's programs and activities.

**NOTE H SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through October 20, 2010, the date which the financial statements were available to be issued.

# Stulb & Associates, APAC

Certified Public Accountants

James F. Stulb, C.P.A.  
Kristine S. Carter, C.P.A.

## 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  
Sisters of Emmanuel, Inc.  
Lake Charles, Louisiana

We have audited the financial statements of Sisters of Emmanuel, Inc. (a nonprofit organization) as of and for the six months ended June 30, 2010 and have issued our report thereon, dated October 20, 2010. 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 Sisters of Emmanuel, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sisters of Emmanuel, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the Organization'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.

Our 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sisters of Emmanuel, Inc.'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 or other matters that are required to be reported under *Government Auditing Standards*.

*This report is intended for the information and use of the Board of Directors and Management of Sisters of Emmanuel, Inc., federal awarding agencies, Office of Mental Health, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.*

*Stull & Associates*  
October 20, 2010

Sisters of Emmanuel, Inc.

SCHEDULE OF FINDINGS AND RESPONSES

Section I - Summary of Auditors' Results

June 30, 2010

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?                    \_\_\_yes                    Xno
- Significant Deficiency(ies) identified that are  
not considered to be material weaknesses?                    \_\_\_yes                    Xno
- Noncompliance material to financial  
statements noted?                    \_\_\_yes                    Xno

Section II - Financial Statement Findings

Current Audit

There were no financial statement findings.

Prior Audit

There were no financial statement findings.