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SAFE HARBOR, INC.
REPORT OF THE AUDIT OF THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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 01/10/01

SAFE HARBOR, INC.
REPORT OF THE AUDIT OF THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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DELPHINE A. CUPPAY
CERTIFIED PUBLIC ACCOUNTANT
P. O. Box 1353
Lacombe, LA 70445-1353
Phone/FAX (504) 882-5608

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Safe Harbor, Inc.
Slidell, LA 70458

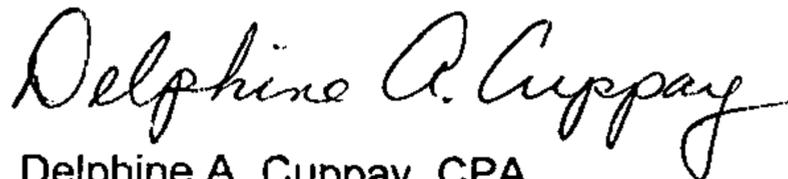
I have audited the accompanying statement of financial position of Safe Harbor, Inc., (a nonprofit organization), as of June 30, 2000, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Safe Harbor, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with general accepted auditing standards 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Safe Harbor, Inc. as of June 30, 2000, and the changes in its net assets and its cash flows for the fiscal year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 21, 2000 on my consideration of Safe Harbor, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Safe Harbor, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Delphine A. Cuppay, CPA
Lacombe, Louisiana

December 21, 2000

SAFE HARBOR, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2000

ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 13,195
Accts. receivable grants and contracts (Note 3)	47,487
Unconditional promise to give (Note 4)	5,000

Total current assets	65,682
Fixed Assets (Note 5):	
Furniture and fixtures	35,870
Playground equipment	7,645
Transportation vehicles	32,524
Leasehold improvements	41,612

Total fixed assets	117,651
Less: Accumulated depreciation	59,477

Net fixed assets	58,174
Other Assets:	
Security deposits	2,030

TOTAL ASSETS	\$ 125,886
	=====
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable	\$ 4,913
Payroll taxes payable	888
Sales tax payable - Resale Shop	167
Due to St. Tammany Parish (Note 6)	43,305

Total current liabilities	49,273
Net Assets:	
Unrestricted net assets	71,613
Temporarily restricted net assets (Note 4)	5,000

Total Net Assets	76,613

TOTAL LIABILITIES AND NET ASSETS	\$ 125,886
	=====

The accompanying notes are an integral part of the financial statements.

SAFE HARBOR, INC.
STATEMENT OF ACTIVITIES
AS OF JUNE 30, 2000

UNRESTRICTED NET ASSETS:	
Revenue and support:	
Grants and contracts	\$ 5,000
Contributions	25,319
Membership dues	400
Special events	17,692
Permanent fundraiser-Safe Harbor Resale Shop	54,885
Net assets released from restrictions	294,872

TOTAL UNRESTRICTED REVENUE AND SUPPORT	398,168
EXPENSES:	
Program services	312,606
Supporting services:	
Management and general	41,130
Grant expenses	300
Fundraising expenses	52,115

TOTAL EXPENSES	406,151

DECREASE IN UNRESTRICTED NET ASSETS	(7,983)
TEMPORARILY RESTRICTED NET ASSETS	
State Grants - funding for current year	260,732
IOLTA Grant - funding for next year	5,000
Other grants and contracts for the current year	32,524
Interest income	128
Net assets released from restrictions	294,872

INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	0

DECREASE IN NET ASSETS	(7,983)
NET ASSETS AT BEGINNING OF YEAR	84,596

NET ASSETS AT END OF YEAR	\$ 76,613
	=====

The accompanying notes are an integral part of the financial statements.

SAFE HARBOR, INC.
STATEMENT OF CASH FLOWS
AS OF JUNE 30, 2000

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	\$ (7,983)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Depreciation	17,892
(Increase) decrease in operating assets	
Accounts receivable - grants and contracts	(23,237)
Unconditional promises to give	0
Prepaid expenses	4,500
Security deposits	525
Increase (Decrease) in operating liabilities	
Accounts payable	1,655
Payroll taxes payable	(3,901)
Sales tax payable-Resale Shop	167
Insurance payable	-4314
Due to St. Tammany Parish	43,305
	28,609
NET CASH PROVIDED BY OPERATING ACTIVITIES:	28,609

CASH FLOWS FROM INVESTING ACTIVITIES

Payments for property and equipment	35,868
	35,868
NET CASH USED BY INVESTING ACTIVITIES	35,868
	35,868
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ -7259
BEGINNING CASH AND CASH EQUIVALENTS	20,454
	20,454
NET CASH AND CASH EQUIVALENTS	\$ 13195
	13,195

The accompanying notes are an integral part of the financial statements.

SAFE HARBOR, INC.
STATEMENT OF FUNCTIONAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Program Services	Managment & General	Grant Expense	Fund-Raising	Total
Compensation and related expenses:					
Compensation:					
Executive Director	\$ 20,524		11,052		\$ 31,576
Office Administrator	9,833		6,556		16,389
Volunteer Coordinator	10,267				10,267
Counselors	15,342				15,342
Court Advocates	13,316				13,316
House Managers	56,058				56,058
Children's Coordinator	22,746				22,746
Relief Staff	7,730				7,730
Related benefits:					
Payroll taxes	14,198		1,577		15,775
Advertising	842				842
Accounting	3,816		1,800		5,616
Audit	6,000				6,000
Automobile	746				746
Bank charges			231		231
Building lease	31,154		2,069		33,223
Client services	3,578				3,578
Client transportation	921				921
Depreciation	14,721		3,171		17,892
Dues & subscriptions	2,118				2,118
Food supplies	8,659				8,659
Fundraising expenses				52,115	52,115
Grant expenses			300		300
Insurance expense	6,189		1,050		7,239
Interest expense			1,205		1,205
Legal-IOLTA expenses	9,723				9,723
Maintenance-Equipment	9,040		125		9,165
Maintenance-Shelter	11,021				11,021
Meetings & conventions	6,093		1,587		7,680
Miscellaneous	3,272				3,272
Office supplies	4,077		1,521		5,598
Professional fees			2,090		2,090
Telephone	12,290		5,269		17,559
Utilities	8,332		1,500		9,832
Property taxes			327		327
TOTALS	\$ 312,606		41,130	300	\$ 406,151

The accompanying notes are an integral part of the financial statements.

SAFE HARBOR, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE: 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. *Organization*

(1) The Organization

Safe Harbor, Inc. was incorporated as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code to provide services to women and their dependent children who are victims of domestic violence. The Safe Harbor Battered Women's Shelter Program provides a twenty-one bed facility which provides temporary housing for its clients. Clients also receive food and clothing, as well as information on housing, legal and welfare aid, educational assistance, training and employment counseling. The Organization incorporates counseling, case management, court advocacy and referrals to community-based programs. All services are free and confidential and a crisis line is answered 24 hours a day by staff or volunteers. With the recent addition of a full-time children's coordinator at the Shelter, the facility has been expanded to include a children's area. Field trips and creative activities help to keep the children busy. Local churches also provide parties and activities for the children at Safe Harbor Battered Women's Shelter.

A business office in the eastern part of St. Tammany Parish is maintained at Suite 350, Towers Building, 520 Old Spanish Trail, Slidell, Louisiana as a contact point for conducting business with Safe Harbor, Inc. and for people who wish to make donations, cash or non-cash, for the battered women's shelter program so that the whereabouts of the battered women's shelter may remain secret. There is also a satellite office in the western part of St. Tammany Parish located in the Southern Hotel at 428 East Boston Street, Covington, Louisiana, which not only serves as a meeting place for court appearances but also as a location for individual or group counseling and legal advocacy as well as a drop off point for donations.

During fiscal year ended June 30, 2000 certain organizational structure changes took place as Safe Harbor, Inc. endeavored to restructure itself for further growth. In September, 1999 Safe Harbor, Inc. and St. Tammany Parish Community Action Agency, a non-profit organization under the control of the Parish of St. Tammany, entered into an agreement

whereby Safe Harbor, Inc. transferred its Battered Women's Shelter Program as well as the movable property used in connection therewith to St. Tammany Parish Community Action Agency. With this transfer, Safe Harbor, Inc. employees working in connection with the shelter program became St. Tammany Parish Community Action Agency employees since that organization would now manage the battered women's shelter program. It was felt that the transfer of the shelter would provide greater stability for this important program and allow a continued expansion of services to clients parishwide. Safe Harbor, Inc. would continue being involved with the battered women's shelter program in an advisory and fundraising capacity and would more fully focus on the issues of helping battered women and their children and educating the public about this problem in our society.

However, after a few months, it became evident to St. Tammany Parish Community Action Agency and Safe Harbor, Inc. that the arrangement between the two organizations needed adjustment. Therefore in February, 2000, St. Tammany Parish Community Action Agency and Safe Harbor, Inc. agreed to rescind the transfer of the rights and grants entered into in connection with the Safe Harbor Battered Women's Shelter as well as the movable property used in connection with the operation of the shelter program and to return the above described rights and grants as well as the movable property used in connection therewith to Safe Harbor, Inc. On the same day, St. Tammany Parish and Safe Harbor, Inc. entered into a Cooperative Endeavor Agreement whereby St. Tammany Parish agreed to provide financial accounting and recordkeeping for the Safe Harbor Battered Women's Shelter Program grants, including the stipulation that employees holding pertinent positions with the Safe Harbor Battered Women's Shelter Program would be employees of St. Tammany Parish and the expenses of funding those employees would be funded by the Safe Harbor Battered Women's Shelter Program grants and Safe Harbor, Inc. agreed to assume responsibility for non-administrative and non-financial operational functions of the programs and grants in connection with its Safe Harbor Battered Women's Shelter Program.

The Cooperative Endeavor Agreement more fully accomplishes the changes in structure originally intended whereby St. Tammany Parish would act as a service provider in connection with the accounting for and management of the various grants for the Safe Harbor Battered Women's Shelter Program and Safe Harbor, Inc., in harmony with its mission statement, would be free to more fully focus on the issues of helping battered women and their children, educating the public to become more fully aware of the problem and ways to prevent it and fundraising, a neces-

sary function without which the Shelter Program would not be able to remain operational if it relied solely on grant contracts.

(2) Economic Dependence

Safe Harbor, Inc. is significantly funded by the State of Louisiana, Office of Women's Services. Should the Office of Women's Services cut its funding or disallow items, Safe Harbor, Inc. would be required to reduce its services.

B. Significant Accounting Policies

(1) Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, Safe Harbor, Inc. is required to report its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Also required is the presentation of a statement of cash flows.

Unrestricted net assets represent those assets which the organization may use at its discretion.

Temporarily restricted net assets result from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Safe Harbor, Inc. pursuant to those stipulations.

Permanently restricted net assets result from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Safe Harbor, Inc.

Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

Safe Harbor, Inc. does not have any permanently restricted net assets for fiscal year ended June 30, 2000.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-stipulated restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

(2) Contributions

Safe Harbor, Inc. has adopted Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions are recognized when the donor makes a promise to give and are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Safe Harbor, Inc. reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The organization reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. 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 assets classes. When a qualifying expenditure occurs or a time restriction expires, temporarily restricted assets are recognized in

unrestricted net assets as "net assets released from restriction" in the statement of activities. However, if a restriction is fulfilled in the same period in which the contribution is received, the contribution is reported as an unrestricted contribution.

(3) Property and Equipment

Land, major renovations and major repairs and equipment are stated at cost at the date of acquisition or renovation, or, if donated, at fair value at date of donation. Minor renovations or repairs are charged to operations and maintenance as incurred. Depreciation of furniture and equipment is provided on the straight-line basis over an estimated useful life of five years. Leasehold improvements are amortized over an estimated useful life of ten years. Amortization expense of leasehold improvements is included in the depreciation expense reported on the financial statements.

(4) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and expenses during the reported period. Actual results could differ from those estimates.

(5) Cash and Cash Equivalents and Concentrations of Credit Risk

Cash and cash equivalents consist of cash held in checking accounts. Management believes Safe Harbor, Inc. is not exposed to any significant credit risk on cash and cash equivalents.

(6) Functional Allocation of Expenses

The cost of providing the program and administering the related supporting services have been summarized on a functional basis in the statement of activities. Accordingly, expenses that benefit both program and supporting services have been allocated using management's estimates.

Safe Harbor, Inc.'s activities of fundraising and membership services in many cases include purposes or contents related to a program service. American Institute of Certified Public Accountants Statement of Position 98-2 states that joint costs of informational materials or activities should be

allocated between fundraising and the appropriate program or general function if it can be demonstrated that a program or general function has been performed in conjunction with the appeal for funds. Although Safe Harbor, Inc. has the ability to give evidence for such combined activities, it does not allocate those portions from its fundraising and membership activities to program services.

(7) Member Dues

Membership dues are recognized as revenue when received.

(8) Donated Materials and Services

Safe Harbor, Inc. records the value of donated goods and services received when there is an objective basis available to measure their value. Donated furniture and fixtures are reflected as contributions in the accompanying statements at their estimated values at date of receipt. No amounts have been reflected in the statements for donated food, clothing or services as no objective basis is available to measure the value of such goods or services.

(9) Income Taxes

Safe Harbor, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and as such qualifies for the charitable contributions deduction. In addition, the organization 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. Accordingly, there is no provision for federal or state income taxes.

(10) Operations

Safe Harbor, Inc. entered into a reimbursement contract with the State of Louisiana, Department of Social Services, Office of Community Services and as part of the Cooperative Endeavor Agreement between The Parish of St. Tammany and Safe Harbor, Inc., St. Tammany Parish Community Action Agency entered into a reimbursement contract with the State of Louisiana, Office of Women's Services on behalf of Safe Harbor, Inc. whereby expenses incurred with the temporary housing program at the Safe Harbor Battered Women's Shelter would be reimbursed by those institutions upon presentation of expenses incurred.

Also, Safe Harbor, Inc. entered into a grant agreement with Louisiana Commission on Law Enforcement and Administration of Criminal Justice

as subgrantee in connection with a grant from the United States Department of Justice, Office of Justice Programs designated for the project "Domestic Violence Outreach" as part of the Stop Violence Against Women Formula Grant Program administered by Louisiana Commission on Law Enforcement and Administration of Criminal Justice and Safe Harbor, Inc. entered into an agreement with The Parish of St. Tammany, The St. Tammany Parish Sheriff's Office and The St. Tammany Parish District Attorney's Office regarding a federal grant from the United States Department of Justice, Office of Justice Programs. The grant was designated for the project "A Safer St. Tammany - Against Domestic Violence" administered by The St. Tammany Police Jury. Violence Coordinating Council. These grants cover expenses incurred in connection with court appearances and for individual and group counseling on an outreach basis for clients who choose not to leave the abusive situation and seek shelter.

(12) Total Columns

Total columns are presented to facilitate financial analysis. Data in these columns do not present financial position, results of activities and changes in net assets in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE 2 - GRANTS FROM GOVERNMENTAL AGENCIES

Included in the grants from governmental agencies is \$147,690 received under a contract with the State of Louisiana, Office of Women's Services and included \$34,149 of federal funds through United States Department of Health and Human Services in connection with the Federal Family Violence Prevention and Services Act; federal funds in the amount of \$22,109 through United States Department of Housing and Urban Development in connection with it Emergency Shelter Grants Program was received from the St. Tammany Parish Police Jury through an agreement with the Louisiana Department of Social Services, Office of Community Services; federal funds in the amount of \$6,889 was received in connection with a grant designated for the project "Domestic Violence Outreach" as part of the Stop Violence Against Women Formula Grant Program and administered by the Louisiana Coalition on Law Enforcement; federal funds were received under a contract with The Parish of St. Tammany, The St. Tammany Parish Sheriff's Office and The St. Tammany Parish District Attorney's Office through the United States Department of Justice, Office of Justice Programs' Grant, in which \$83,333 of federal funds were received in connection with a grant designated for the project

"A Safer St. Tammany - Against Domestic Violence". Also a special grant request in the amount of \$32,524 was made available to Safe Harbor, Inc. during the year for the purchase of two 1999 Dodge Caravans which special grant request was received in connection with Office of Justice Programs' Grant designated for the project "A Safer St. Tammany - Against Domestic Violence". This special grant enabled Safe Harbor to have a vehicle available on each side of the parish, east and west of St. Tammany Parish, to provide transportation to the Battered Women's Shelter for the battered woman and her children when fleeing from her abuser and later, if necessary, to court for court appearances heard in connection with protective orders filed on behalf of these women against their abusers.

NOTE 3 - ACCOUNTS RECEIVABLE

The accounts receivable is due from various grantors listed below for services provided through June 30, 2000. All receivables are expected to be received in a timely manner. The accounts receivable balance consists of the following:

Due from Office of Women's Services	\$39,379
Due from IOLTA Grant	2,500
Due from Office of Justice Programs, A Safer St. Tammany Grant	3,368
Due from LA. Commission on Law Enforcement	<u>2,240</u>
Total Accounts Receivable	\$47,487

NOTE 4 - UNCONDITIONAL PROMISES TO GIVE/TEMPORARY RESTRICTIONS ON ASSETS

Due to the fact that the IOLTA Grant is on a calendar year basis and Safe Harbor, Inc. is on a June 30 fiscal year end, for fiscal year ended June 30,2000 the remaining unconditional promise to give amount on this grant is \$5,000.00, which amount is listed under the Net Assets section of the Statement of Financial Position as temporarily restricted net assets. These temporarily restricted net assets are available for the following program service expenses under the IOLTA Grant sponsored by Louisiana Bar Foundation:

Paralegal, court fees and office supplies pertaining thereto	\$5,000
--	---------

NOTE 5 - FIXED ASSETS

Depreciation is calculated using the straight line method over a useful life of five years. Leasehold improvements are amortized over ten years. Property, plant and equipment consist of the following:

<u>Property & Equipment</u>	<u>Costs as of 06/30/99</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Costs as of 06/30/00</u>
Furniture and fixtures	\$ 35,310	\$ 3,350	\$ 2,790	\$35,870
Playground equipment	7,545	100		7,645
Transportation vehicles	0	32,524		32,524
Leasehold improvements	<u>41,612</u>			<u>41,612</u>
TOTALS	\$ 84,467	\$ 35,974	\$ 2,790	\$117,651

<u>Property & Equipment</u>	<u>Accum. Depre. as of 06/30/99</u>	<u>Depre. Expense</u>	<u>Write Off Depreciation</u>	<u>Accum. Depre. as of 06/30/00</u>
Furniture and fixtures	\$ 19,565	\$ 5,736	\$ 2,034	\$ 23,267
Playground equipment	6,018	1,183		7,201
Transportation vehicles	0	6,504		6,504
Leasehold improvements	<u>18,036</u>	<u>4,469</u>		<u>22,505</u>
TOTALS	\$ 43,619	\$ 17,892	\$ 2,034	\$ 59,477

Costs of Assets as of 06/30/00	\$117,651
Less Accumulated Depreciation	<u>59,477</u>
Net Book Value as of 06/30/00	\$ 58,174

NOTE 6 - DUE TO ST. TAMMANY PARISH

As part of the Cooperative Endeavor Agreement between the Parish of St. Tammany and Safe Harbor, Inc., in connection with its responsibilities for the accounting functions of the Safe Harbor Battered Women's Shelter Program, which functions include the payment of certain authorized expenses, the billing of grantors for those reimbursable expenses, the deposit of checks received from grantors and the recordation of such transactions in the general ledger on behalf of Safe Harbor, Inc. With all grants, with the exception of the IOLTA Grant, certain authorized expenses are first paid by St. Tammany Parish on behalf of Safe Harbor,

Inc., then grantors are billed for those reimbursable expenses and when the grantors' checks in payment of their grant billings are received, the account is replenished for the next month's payment of authorized expenses. Under the IOLTA Grant, Safe Harbor receives only \$2,500 a quarter no matter if more or less than \$2,500 is expensed in paralegal fees, court fees and expenses in connection with legal services provided by Safe Harbor during the quarter. Also St. Tammany Parish received donations in behalf of Safe Harbor during the year and these donations received are used to pay certain expenses in connection with Safe Harbor expenses which are not covered by any particular reimbursement grant. For fiscal year ended June 30, 2000, a credit balance in the amount of \$48,217 in the Due to St. Tammany Parish account consists of the following transaction balances:

Accounts receivable as of June 30, 2000	\$47,486
Accounts payable as of June 30, 2000	-4,913
Less excess donations received not yet expensed	- 647
Plus excess expenses over IOLTA Grant income	<u>+ 1,378</u>
Total Due to St. Tammany Parish	\$43,305

NOTE 7 - ACCRUED EMPLOYEE BENEFITS

No amount has been reflected in the financial statements for accrued compensated absences as the amount cannot be reasonably estimated.

NOTE 8 - DONATED MATERIALS

The value of donated materials included in the financial statements for the year ended June 30, 2000 is as follows:

Assets:	
Furniture and fixtures	\$2,500
Playground equipment	<u>100</u>
Total donated materials	\$2,600

NOTE 9 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Required by Statement of Accounting Standards (SFAS) No. 107, *Disclosure about Fair Value of Financial Instruments*, disclosure of fair value information about certain financial instruments is required, whether

or not recognized in the statement of financial position for which it is practicable to estimate that value. The following methods and assumptions were used in estimating fair value:

	<u>Carrying Amounts</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 13,195	\$ 13,195

NOTE 10 - SPECIAL FUND-RAISERS

There was only one special fund-raiser during fiscal year ended June 30, 2000. It was an annual evening event known as Harbor Lights. Invitations were extended to sponsors, friends, members and other interested persons to attend and enjoy an evening of gourmet food, live music, entertainment, fun and fellowship. This fund-raiser generated \$17,567 and incurred expenses of \$7,284 for net proceeds of \$10,283.

NOTE 11 - SAFE HARBOR RESALE SHOP FUND-RAISER PROGRAM

Shortly before fiscal year ended June 30, 1999, Safe Harbor, Inc. began a pilot project to raise additional income for the Organization. The pilot project eventually became known as Safe Harbor Resale Shop. The Organization had a considerable amount of clothing donated for its battered women's program that was not being used by its clients. At the time, the Organization's Slidell office was located on Carey Street and it was decided to convert a couple of rooms in the back of the office into a small resale shop. The shop was only open to the public one day a week from about 1:30 PM to 4:00 P.M. Volunteers manned the shop and all proceeds received from the sale of donated clothing were recorded as donations. Shortly after fiscal year ended June 30, 1999, the Board of Directors of Safe Harbor, Inc. entered into a lease agreement for a retail shop location in the John Jay Shopping Center, formerly known as Tammany Mall Shopping Center, with the street address of 3122 Pontchartrain Drive in Slidell, Louisiana. Two employees were hired to help run the shop as a permanent fund-raiser. The Safe Harbor Resale Shop is open to the public from 10 A.M. to 5 P.M. six days a week to receive donations and sell quality pre-owned clothing, jewelry, purses, shoes, belts, business suits, cocktail dresses, blouses and blue jeans, as well as children's items. Volunteer workers sort the high volume of donations received and prepare them for sale. The proceeds of this permanent fund-

raiser is used to assist battered women and their children in St. Tammany Parish.

Women leaving the Battered Women's Shelter are allowed five complete outfits of clothing from the Safe Harbor Resale Shop as well as clothing for their children. Each evening after closing to the public, at a special prearranged time, they are allowed to come in and shop in privacy and security away from the eyes of the general public. The Organization also tries to help the women get re-established in a home environment after leaving the shelter with such things as household furniture and appliances, pots and pans and some of the most basic things in maintaining a home, all of which have been donated to the Organization for that purpose.

According to the Internal Revenue Code Section 513(e)(3), the Safe Harbor Resale Shop is exempt from unrelated business income taxes because substantially all its merchandise inventory is donated to the Organization and Safe Harbor, Inc. uses the profits from this activity to help fund its battered women's program.

The Safe Harbor Resale Shop generated \$54,885 and incurred the following expenses: \$23,740 in salaries, \$2,135 in payroll taxes and \$18,956 in various operating expenses for total expenses of \$44,831 and net proceeds of \$10,054.

NOTE 12 - RENT AND RENTAL COMMITMENTS

Safe Harbor, Inc. entered into a lease contract with an option to renew each year for its twenty-one bed shelter facility. The original lease stipulated rent to be \$1000 per month. In July, 1999, by mutual consent, rent was increased to \$1,500 per month.

Rent for Safe Harbor, Inc.'s Slidell business office formerly located at 2104 First Street was on a month to month basis at the rate of \$650 per month. During fiscal year ended, June 30, 2000 the Slidell office was eventually moved to Suite 350, Towers Building, 520 Old Spanish Trail, Slidell, Louisiana, which office is rented on a month to month basis of \$145 per month.

Safe Harbor, Inc. entered into a lease contract for one year with an option to renew for its Covington office formerly located at 335 Boston Street. at a rate of \$1250 per month. During fiscal year ended June 30, 2000, the Covington office was eventually moved to the Southern Hotel on East Boston Street, which office is rented on a month to month basis of \$381 per month.

NOTE 13 - RELATED PARTY TRANSACTIONS

Rent for Safe Harbor, Inc.'s former Slidell business office located at 2104 First Street was paid each month to Arlington House, a building owned by a corporation in which Marian D'Antonio, former President of the Board of

Directors of Safe Harbor, Inc. during the fiscal year ended June 30, 2000, was a shareholder. The total amount of rent paid to Arlington House for fiscal year ended June 30, 2000 was \$1,300.

NOTE 14 - YEAR 2000 ISSUE

Management of Safe Harbor, Inc. was aware of the Year 2000 issue and took various steps in anticipation of the problem. These steps included the following: The Organization replaced its main business office computers with new computers containing Pentium processors and upgraded its software with programs reporting to be Year 2000 compatible. The new computer programs are currently processing data correctly and there is no impairment of the entity's ability to prepare its financial statements.

NOTE 15 - SUBSEQUENT EVENTS

The purpose of the Cooperative Endeavor Agreement entered into by St. Tammany Parish and Safe Harbor, Inc. was to help Safe Harbor recover from the devastating news of its former President, Marion D'Antonio, being diagnosed with a terminal illness during the latter part of fiscal year ended June 30, 1999 and her subsequent death during fiscal year ended June 30, 2000. The loss of her services to Safe Harbor and her leadership was substantial. That coupled with the loss of several key personnel made for very difficult circumstances as the newly elected Officers and Board of Directors of fiscal year ended June 30, 2000 tried valiantly to move forward under new leadership. At the time the Cooperative Endeavor Agreement was entered into, it was not certain if the arrangement would be temporary or if it would have to be a permanent one. In July, 2000, new Officers of the Board of Directors were elected and there was an influx of new Board Members. Plans began to be made to end the Cooperative Endeavor Agreement sometime after fiscal year ended June 30, 2001. By that time, it was felt, Safe Harbor, Inc.'s management would be in a position to handle its grant accounting in connection with the Safe Harbor Battered Women's Shelter Program by itself once again. The Board of Directors has hired a new Executive Director whose expertise is in grant writing,

grant management and compliance issues in relation to the various grant contracts in connection with the Shelter Program. They have also hired an outside accountant who is proficient in the non-profit arena especially in tracking grant incomes and allowable expenses and an assistant administrator to help manage personnel and staffing needs at The Shelter. Collectively, in a short period of time, all of these positive moves on the part of Safe Harbor, Inc.'s management (the Board of Directors and the Executive Director) have accomplished much to improve their situation and the Cooperative Endeavor Agreement may no longer necessary.

SUPPLEMENTARY INFORMATION RELATED TO FEDERAL AWARDS
Required by *Government Auditing Standards* and OMB Circular A-133,
Audits of States, Local Governments, and Non-Profit Organizations

DELPHINE A. CUPPAY
CERTIFIED PUBLIC ACCOUNTANT
P. O. Box 1353
Lacombe, LA 70445-1353
Phone/FAX (504) 882-5608

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

Board of Directors
Safe Harbor, Inc.
Slidell, LA 70458

I have audited the financial statements of Safe Harbor, Inc., (a nonprofit organization), as of and for the year ended June 30, 2000, and have issued my report thereon dated December 21, 2000. 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 the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Safe Harbor, Inc.'s financial statements are free of material misstatement, I 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

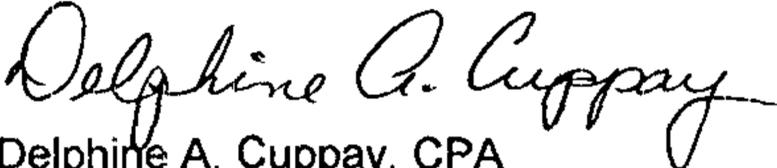
Internal Control Over Financial Reporting

In planning and performing my audit, I considered Safe Harbor, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my

attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Safe Harbor, Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2000-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I considered item 2000-1 to be a material weakness.

This report is intended solely for the information and use of the audit committee, management, others within the organization 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.


Delphine A. Cuppay, CPA
Lacombe, Louisiana

December 21, 2000

DELPHINE A. CUPPAY
CERTIFIED PUBLIC ACCOUNTANT
P. O. Box 1353
Lacombe, LA 70445-1353
Phone/FAX (504) 882-5608

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

Board of Directors
Safe Harbor, Inc.
Slidell, LA 70458

Compliance

I have audited the compliance of Safe Harbor, Inc., (a nonprofit organization), with the types of compliance requirements described in the "U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 2000. Safe Harbor, 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 each of its major federal programs is the responsibility of Safe Harbor, Inc.'s management. My responsibility is to express an opinion on Safe Harbor, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, 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 I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Safe Harbor, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Safe Harbor, Inc.'s compliance with those requirements.

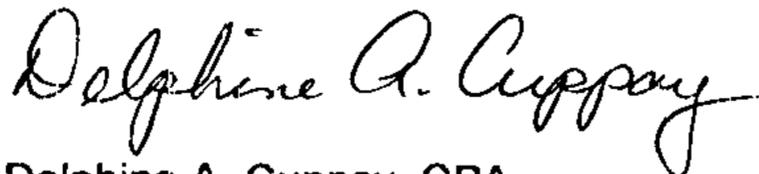
In my opinion, Safe Harbor, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

The management of Safe Harbor, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Safe Harbor, 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 my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization 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.



Delphine A. Cuppay, CPA
Lacombe, Louisiana

December 21, 2000

SAFE HARBOR, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U. S. Department of Justice Office of Justice Programs' Grant which grant was designated for the project, "A Safer St. Tammany - Against Domestic Violence": Pass-through grantor - The Parish of St. Tammany, and administered by The St. Tammany Parish Police Jury Domestic Violence Coordinating Counsel	16.590	Grant Award No. 97-WE-VX-0059	\$115,857
U. S. Department of Justice Office of Justice Programs' Grant which grant was designated for the project, "Domestic Violence Outreach" in connection with Stop Violence Against Women Formula Grant Program: Pass-through grantor - State of Louisiana, Office of the Governor and administered by Louisiana Commission on Law Enforcement and Administration of Criminal Justice	16.588	Subgrant No. 97-M8-M.05-044 Project ID# M97-8-013 and M98-8-010	<u>6,889</u>
Total U. S. Department of Justice			\$122,746
U. S. Department of Health and Human Services: Federal Family Violence Prevention and Services Act: Pass-through grantor - State of Louisiana, Office of Women's Services	93.671	CFMS 536768 Family Violence FY 99 - 2001	\$ 34,169
U. S. Department of Housing and Urban Development: Emergency Shelter Grants Program: Pass-through grantor - State of Louisiana, Department of Social Services, Office of Community Services administered by St. Tammany Parish Community Action Agency	14.231	CFMS 536055	<u>\$ 22,109</u>
Total expenditures of federal awards			\$179,024

See accompanying notes to schedule of expenditures of federal awards.

SAFE HARBOR, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Safe Harbor, 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, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

In accordance with Section 230(b)2 of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," as a non-Federal entity, Safe Harbor, Inc. has not charged its audit costs to any of the Federal awards received. All audit costs were charged to its State of Louisiana, Office of Women's Services contract, specifically to that portion of the grant contract funded by State funds and/or St. Tammany Parish Marriage License funds.

NOTE B: U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES,
FEDERAL FAMILY VIOLENCE PREVENTION AND SERVICES ACT
GRANT ADMINISTERED BY OFFICE OF WOMEN'S SERVICES

In accordance with terms of the grant, the organization has expended matching contributions totaling 20% of federal dollars earmarked for this grant amounting to \$ 6,840 during the year ended June 30, 2000.

NOTE C: U. S. DEPARTMENT OF HOUSING AND URBAN
DEVELOPMENT, EMERGENCY SHELTER GRANTS PROGRAM
ADMINISTERED ST. TAMMANY PARISH COMMUNITY ACTION
AGENCY

In accordance with terms of the grant, the organization has expended matching contributions totaling \$22,109 during the year ended June 30, 2000.

SAFE HARBOR, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2000

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Safe Harbor, Inc.
2. A reportable condition disclosed during the audit of the financial statements is reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and it is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of Safe Harbor, Inc. were disclosed during the audit.
4. The auditor's report on compliance for the major federal award programs for Safe Harbor, Inc. expresses an unqualified opinion on all major federal programs.
5. The audit disclosed no findings required to be reported by OMB Circular A-133.
6. The programs tested as major programs included:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
U. S. Department of Justice, Office of Justice Programs' Grant, designated as project "A Safer St. Tammany - Against Domestic Violence	16.590
U. S. Department of Justice, Office of Justice Programs' Grant, designated as project "Domestic Violence Outreach" in connection with Stop Violence Against Women Formula Grant Program	16.588
U. S. Department of Housing & Urban Development, Emergency Shelter Grants Program	14.231
U. S. Department of Health & Human Services, Federal Family Violence Prevention and Services Act	93.671

7. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133. No programs met the threshold, however contracts with the State of Louisiana require the audit be performed in accordance with OMB Circular A-133 procedures as Safe Harbor, Inc. is a subrecipient of the State of Louisiana's major programs receiving federal awards.

FINDINGS - FINANCIAL STATEMENTS AUDIT

Reportable Conditions

2000-1 The Size of Organization's Accounting and Administrative Staff Precludes an Effective Segregation of Duties With Regard to General Accounting Functions

Condition: During the year a failure in internal control developed involving the segregation of duties with regard to general accounting functions due to the small size of the organization's accounting and administrative staff. Because of the Executive Director's expertise in grant writing and grant requirements and that the St. Tammany Parish, acting as a service provider for grant accounting functions and grant management under the terms of a Cooperative Endeavor Agreement with Safe Harbor, Inc., there was effective allocation of costs and grant requirements were being complied with, however, general overall supervision and review of financial information was lacking.

There was adequate review and supervision over the various grants in place in that St. Tammany Parish, under the terms of the Cooperative Endeavor Agreement with Safe Harbor, Inc., acted as a service provider to review grant expenses and prepare and/or review, before they were mailed out, the monthly reimbursement grant billing requests for the various grants.

But as far as general overall supervision and review of financial information that did not specifically involve grant transactions were concerned, there was only a cursory review of monthly bank statements.

Criteria: Internal controls should be in place that provide reasonable assurance that there is segregation of duties with regard to approval for transactions, recordation of transactions, supervision and review of financial information.

Effect: Because of the failure to require approval from the proper level of management, (i.e. someone above administrative staff such as a designated Board member) and/or failure to subsequently review financial information in a timely fashion, transactions could be effected without the approval or knowledge of management.

Recommendation: This situation dictates that the Board of Directors should be involved in the financial affairs of the organization to provide oversight and independent review functions. A Board member could be designated to review expenditures prior to payment. Another Board member could be designated to receive, open and review the bank statement each month prior to forwarding it for bank reconciliation purposes. Also monthly financial reports should be reviewed and/or discussed at Board meetings for effective management purposes.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No matters are reportable.

SAFE HARBOR, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

SECTION I - FINDINGS - FINANCIAL STATEMENTS AUDIT

1999-1 The Size of Organization's Accounting and Administrative Staff Precludes an Effective Segregation of Duties With Regard to General Accounting Functions

Condition: This finding was a reportable condition stating that during the fiscal year ended June 30, 1999 a failure in internal control developed involving the segregation of duties with regard to general accounting functions due to the small size of the organization's accounting and administrative staff. There was adequate review and supervision over the various grants in place in that an outside CPA came in once a month to review grant expenses and prepare and/or review, before they were mailed out, the monthly reimbursement grant billing requests for the various grants. He was also on call during the month in case there were questions regarding compliance with grant contracts and during his monthly visit he specifically reviewed grant transactions. But as far as general overall supervision and review of financial information that did not specifically involve grant transactions were concerned, the only review in place was the fact that this same outside CPA came in once a month to balance the checkbook and perform a cursory review of the overall monthly financial statements.

Recommendation: The auditor recommended that this situation dictates that the Board of Directors should be involved in the financial affairs of the organization to provide oversight and independent review functions. A Board member could be designated to review expenditures prior to payment. Another Board member could be designated to receive, open and review the bank statement each month prior to forwarding it to the administrative staff for bank reconciliation purposes. Also monthly financial reports should be reviewed and/or discussed at Board meetings for effective management purposes.

Current Status:

The Treasurer reviews expenditures prior to payment. The President had been designated to open and review the bank statements but this did not always occur. The Treasurer was usually the one to review the bank statements. The Board now understands that another board member besides the Treasurer must also review the bank statements. It has designated the Secretary to work in connection with the Treasurer in reviewing the bank statements before they are or reconciled. There has been some sort of monthly financial report discussed at Board Meetings but this has been in a haphazard fashion. Many times the report centered on whatever aspect was of particular concern at the time. There was no consideration of the overall financial position and/or statement of activities for effective management purposes.

**SECTION II - FINDINGS AND QUESTIONED COSTS - MAJOR
FEDERAL AWARD PROGRAMS AUDIT**

No findings have been reported.

DELPHINE A. CUPPAY
CERTIFIED PUBLIC ACCOUNTANT
P. O. Box 1353
Lacombe, LA 70445-1353
Phone/FAX (504) 882-5608

December 21, 2000

To the Senior Management and
The Board of Directors of
Safe Harbor, Inc.
P. O. Box 402
Slidell, LA 70459-0402

In planning and performing my audit of the financial statements of Safe Harbor, Inc. for the year ended June 30, 2000, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on internal control. However, I noted certain matters involving internal control and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of internal control that, in my judgment, could adversely affect Safe Harbor, Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

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 errors or 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.

My consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. In addition, because of inherent limitation in internal control, errors or fraud may occur and not be detected by such controls. However, I noted the following reportable conditions that I believe to be material weaknesses.

FINDINGS - FINANCIAL STATEMENT AUDIT

**2000-1 The Size of Organization's Accounting and Administrative Staff
Precludes an Effective Segregation of Duties With Regard to General
Accounting Functions**

Because of the size of the organization's accounting and administrative staff, a failure to require a segregation of duties with regard to general accounting functions developed. This situation precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties with regard to approval for transactions, recordation of transactions, supervision and review of financial information. Because of the failure to require approval from the proper level of management and/or failure to subsequently review financial information in a timely fashion, transactions could be effected without the approval or knowledge of management. This situation dictates that the Board of Directors remain involved in the financial affairs of the organization to provide oversight and independent review functions. A Board member could be designated to review expenditures prior to payment. Another Board member could be designated to receive, open and review the bank statement each month prior to forwarding it for bank reconciliation purposes.

There was adequate review and supervision over the various grants in place in that St. Tammany Parish, under the terms of the Cooperative Endeavor Agreement with Safe Harbor, Inc., acted as a service provider to review grant expenses and prepare and/or review, before they were mailed out, the monthly reimbursement grant billing requests for the various grants. But as far as general overall supervision and review of financial information that did not specifically involve grant transactions were concerned, there was only a cursory review of monthly bank statements.

This situation dictates that the Treasurer or an outside accountant be hired to expand the scope of accounting functions to review not only grant transactions but a thorough review of all financial information. Also the Treasurer or an outside accountant should review and/or discuss monthly financial statements with Board members and these monthly financial statements should be reviewed and/or discussed at Board meetings for effective management purposes.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No matters are reportable.

These material weaknesses and other reportable conditions were considered in determining the nature, timing, and extent of the audit tests applied in my audit of the June 30, 2000 financial statements, and this report does not affect my report on those financial statements dated December 21, 2000. I have not considered internal control since the date of my report.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Delphine A. Cuppay". The signature is written in black ink and is positioned above the typed name.

Delphine A. Cuppay, CPA
Lacombe, Louisiana

December 21, 2000

SAFE HARBOR, INC.

P. O. BOX 402
SLIDELL, LA 70459-0402
Phone 504-643-0476

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LEGISLATIVE AUDITOR

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CORRECTIVE ACTION PLAN

December 21, 2000

Legislative Auditor
State of Louisiana
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

Safe Harbor, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2000.

Name and address of independent public accounting firm:

Delphine A. Cuppay, CPA, P. O. Box 1353, Lacombe, LA 70445-1353

Audit period: July 1, 1999 through June 30, 2000

The findings from the December 21, 2000 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENT AUDIT

2000-1 The Size of Organization's Accounting and Administrative Staff Precludes and Effective Segregation of Duties With Regard to General Accounting Functions

Recommendation: This situation dictates that the Board of Directors should be involved in the financial affairs of the organization to provide oversight and independent review functions. A Board member could be designated to review expenditures prior to payment. Another Board member could be designated to receive, open and review the bank statement each month prior to forwarding it for bank reconciliation purposes. Also monthly financial reports should be reviewed and/or discussed at Board meetings for effective management purposes.

Action Taken: With the advent of the newly elected Officers of the Board of Directors who took office in July, 2000 and the hiring of the new Executive Director certain changes took place. Safe Harbor's Treasurer has been designated to review expenditures prior to payment. Safe Harbor's Secretary has been designated to receive, open and review the bank statement(s) each month prior to forwarding it for bank reconciliation purposes. The Board has hired an outside accountant to reconcile the monthly bank statements and prepare monthly financial statements portraying the overall financial position of Safe Harbor, Inc. as an organization and the statement of activities. These financial reports or financial statements will be reviewed each month at the Board meetings for effective management purposes.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No matters are reportable.

If there are any questions regarding this plan, please call 504-646-4177.

Sincerely yours,

KENNETH A. JONES
President of the Board of Directors
for Safe Harbor, Inc.