

**OPERATION REACH, INC.**

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**REVIEWED FINANCIAL STATEMENTS****FOR THE YEAR ENDED  
DECEMBER 31, 2007**

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

9-10-08

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

Michael B. Bruno, CPA  
Alcide J. Tervalon, Jr., CPA  
Waldo J. Moret, Jr., CPA  
Paul K. Andoh, Sr., CPA  
Joseph A. Akanji, CPA

## INDEPENDENT ACCOUNTANTS' REPORT

The Board of Directors  
**Operation Reach, Inc.**  
New Orleans, LA

We have reviewed the accompanying statement of financial position of **Operation Reach, Inc.** (a nonprofit organization) as of December 31, 2007, and the related statements of activities, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of **Operation Reach, Inc.**

A review consists principally of inquiries of **Operation Reach, Inc.**'s personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

*Bruno & Tervalon LLP*  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

August 18, 2008

**OPERATION REACH, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2007**

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ASSETS

Cash and cash equivalents (NOTE 2)	\$ 272,750
Grants and contracts receivable	105,200
Fixed assets (net of accumulated depreciation of \$26,106)	8,711
Other Assets	<u>193</u>
 Total assets	 <u>\$ 386,854</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 15,773
Other liabilities	1,192
Long-term liabilities	<u>18,878</u>
 Total liabilities	 <u>35,843</u>
 Net Assets (NOTE 2):	
Unrestricted net assets	<u>351,011</u>
 Total net assets	 <u>351,011</u>
 Total liabilities and net assets	 <u>\$ 386,854</u>

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

**OPERATION REACH, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

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Revenues and Other Support

Grant revenue	\$ 307,912
Contract revenue	727,470
Other revenue	<u>10,755</u>

Total revenues and other support 1,046,137

Expenses

Program services	588,768
Support services	<u>254,777</u>

Total expenses 843,545

Change in net assets 202,592

Net assets, beginning of year 148,419

Net assets, end of year \$ 351,011

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

**OPERATION REACH, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

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**Cash Flows from Operating Activities:**

Change in net assets	\$ 202,592
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	11,529
Increase in receivables	(22,114)
Increase in assets	(193)
Increase in accounts payable	7,098
Decrease in other liabilities	(1,594)
Increase in accrued expenses	<u>18,878</u>
Net cash provided by operating activities	<u>216,196</u>

**Cash and Cash Equivalents**

Beginning of year	<u>56,554</u>
End of year	<u>\$ 272,750</u>

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

**OPERATION REACH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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NOTE 1 - ORGANIZATION:

**Operation Reach, Inc.** was organized in 1999 as a non-profit organization to assist schools, foundations, government agencies and other community organizations with technical management resources and proven programs that help youth and families obtain academic success through effective educational enhancement programs and a life-long love for learning.

**Operation Reach** is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Accounting

The financial statements and the supplemental schedule are prepared in accordance with generally accepted accounting principles and are prepared on the accrual basis. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Reporting

**Operation Reach** has adopted SFAS No. 117 which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories (i.e. unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) according to externally (donor) imposed restrictions.

**OPERATION REACH, INC.**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Principles of Accounting, Continued

A description of the three (3) net asset categories is as follows:

Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of **Operation Reach** are included in this category. **Operation Reach** has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of **Operation Reach** and therefore, **Operation Reach's** policy is to record these net assets as unrestricted.

Temporarily restricted net assets include realized gains and losses, investment income and gifts, appropriations and contributions for which donor imposed restrictions have not been met.

Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor imposed restrictions.

At December 31, 2007, **Operation Reach** did not have any temporarily or permanently restricted net assets.

Cash and Cash Equivalents

Cash consist solely of demand deposits and a money market account that is secured by federal deposit insurance. All highly liquid debt instruments purchased with an original maturity of three (3) months or less are considered to be cash equivalents for purposes of the statement of cash flows.

**OPERATION REACH, INC.**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

NOTE 3 - CONCENTRATION OF CREDIT RISK:

Financial instruments that potentially subject **Operation Reach** to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions.

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS:

The estimated fair value of all significant financial amounts have been determined by **Operation Reach** using available market information and appropriate valuation methodologies. **Operation Reach** considers the carrying amounts of cash and cash equivalents, and accounts receivable to be the fair value.

**SUPPLEMENTAL INFORMATION**

**OPERATION REACH, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Program</u> <u>Services</u>	<u>Support</u> <u>Services</u>	<u>TOTAL</u>
Salaries and benefits	\$ 352,529	\$ 9,582	\$ 362,111
Stipends	72,268	1,050	73,318
Professional fees	-0-	19,493	19,493
Supplies	4,655	7,830	12,485
Telephone & telecommunications	-0-	22,607	22,607
Postage, shipping, delivery	946	1,181	2,127
Equipment rental and maintenance	-0-	986	986
Printing & copying	5,685	-0-	5,685
Books, subscriptions, reference	2,863	-0-	2,863
Photocopies/publications	-0-	660	660
Housing	-0-	16,857	16,857
Rent, parking, other occupancy	5,210	5,210	10,420
Internet service	-0-	1,565	1,565
Field trips	17,321	-0-	17,321
Travel	-0-	54,765	54,765
Training / staff development	-0-	7,131	7,131
Conference, convention, meeting - other	-0-	2,330	2,330
Travel and meeting expenses - other	-0-	995	995
Insurance	-0-	32,546	32,546
Membership dues - organization	-0-	882	882
Depreciation expense	-0-	11,716	11,716
Interest expense	-0-	1,944	1,944
Executive allowance	-0-	7,153	7,153
Consultants / contracted services	46,772	-0-	46,772
Outside computer services	-0-	2,364	2,364
Advertising expense	-0-	3,409	3,409
Food / snacks	28,869	-0-	28,869
T-Shirts / uniforms	8,323	-0-	8,323
Capital assets	30,829	-0-	30,829
Culminating event	573	-0-	573
Bank service charge	-0-	992	992
Other expenses - other	-0-	1,496	1,496
Miscellaneous expenses	-0-	28,557	28,557
Repairs and maintenance	-0-	11,476	11,476
Scholarships	500	-0-	500
Public relations	<u>11,425</u>	<u>-0-</u>	<u>11,425</u>
<b>TOTALS</b>	<b><u>\$ 588,768</u></b>	<b><u>\$ 254,777</u></b>	<b><u>\$ 843,545</u></b>

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

**OPERATION REACH, INC.**

**INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED UPON PROCEDURES**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

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**INDEPENDENT AUDITORS' REPORT  
 ON APPLYING AGREED UPON PROCEDURES**

To the Board of Directors of  
**Operation Reach, Inc.**  
 New Orleans, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of **Operation Reach, Inc.**, the Legislative Auditor, State of Louisiana, and applicable state grantor agency/agencies solely to assist the users in evaluating management's assertions about **Operation Reach's** compliance with certain laws and regulations during the year ended December 31, 2007 included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

***Federal, State, and Local Award***

1. Determine the amount of Federal, state and local award expenditures for the fiscal year, by grant and grant year.

**Operation Reach's** Federal award expenditures for all Federal programs for the fiscal year follow:

Federal Grant Name	Grant Year	CFDA No	Amount
Department of Justice -Weed & Seed	12/06 - 8/07	16.595	\$ 32,985
Department of Health and Human Resources - Temporary Assistance for Needy Families	9/06 – 8/07	93.558	59,371
Department of Health and Human Resources - Temporary Assistance for Needy Families	3/1/07 – 2/29/08	93.558	32,598
State of Louisiana - Americorps	5/15/07 – 6/30/09	N/A	132,746
City of New Orleans - Job 1	5/1/07 – 8/1/07	N/A	41,127
<b>Total Expenditures</b>			<b>\$ 298,827</b>

**INDEPENDENT AUDITORS' REPORT**  
**ON APPLYING AGREED UPON PROCEDURES**  
**(CONTINUED)**

2. For each Federal, state, and local award, we randomly selected 6 disbursements from each award administered during the period under examination, provided that no more than thirty-six (36) disbursements would be selected.
  
3. We examined supporting documentation, (i.e. invoice and cancelled check), for each of the thirty-six (36) selected disbursements and noted that three (3) of the transactions selected for testing did not agree to the amounts disbursed. The transactions pertain to amounts disbursed to contract workers. The total amounts disbursed totaled \$1,600, whereas the total amount per the timesheets completed by the contract workers totaled \$991, leaving a difference of \$609. We also noted that **Operation Reach** followed the practice of accepting timesheets from contract workers instead of requiring the workers to complete invoices for payment. We did note however that all contract workers selected for testing were issued a 1099 for amounts paid.
  
4. We examined supporting documentation (i.e. invoice) and examined supporting documentation for proper coding to the correct program and general ledger account, noting the following:
  - Per review of supporting documentation, we noted no instances of non-compliance with respect to review of supporting documentation and proper coding to correct program and general ledger account. However, we did note that management did not follow established procedures which require administrative costs and other shared costs to be allocated across all benefited programs (i.e. rent, building repairs, accounting services, and other).
  
5. We examined the check request forms attached to supporting documentation for each transaction selected for testing and noted that check request forms were not available for fourteen (14) out of thirty-six (36) transactions selected for testing. Management has indicated that it was not a requirement for check request forms to be utilized for reoccurring bills, and that management's signature on the payable roster was indication of approval. Although we did note that management followed the practice of initialing the payable roster for vendors paid, we recommend that management follow prescribed procedures, which requires review of supporting documentation and signing off on the check request form.

**INDEPENDENT AUDITORS' REPORT  
ON APPLYING AGREED UPON PROCEDURES  
(CONTINUED)**

6. For the items selected in procedure 2: For federal awards, we determined whether the disbursements complied with the applicable specific program compliance requirements summarized in *the Compliance Supplement* (or contained in the grant agreement, if the program is not included in the *Compliance Supplement*) and for state and local awards, we determined whether the disbursements complied with the grant agreement, relating to:

Activities allowed or unallowed:

We reviewed the previously listed disbursements for types of services allowed or not allowed and noted that all transactions appear to have been allowed per compliance supplement and grant agreement, no exceptions noted.

Eligibility:

We reviewed the previously listed disbursements for eligibility requirements and noted no exceptions.

Reporting:

We reviewed the previously listed disbursements for reporting requirements and noted no exceptions.

7. For the programs selected for testing in item (2) that had been closed out during the period under review, we compared the close-out report, when required, with the entity's financial records to determine whether the amounts agree.

Per discussion with management and review of grant agreements, we noted that there was one (1) program (*Weed & Seed Program*) that required a close-out report. Per review of the close-out report, we noted that the amount of expenditures per the close-out report totaled \$36,386 and the total per the expense detail totaled \$32,985, which represents a difference of \$3,401.

***Meetings***

8. We were unable to examine evidence indicating that agendas for meetings recorded in the minutes book were posted as an open meeting as required by LSA-RS 42:1 through 42:12 (the open meetings law).

**INDEPENDENT AUDITORS' REPORT  
ON APPLYING AGREED UPON PROCEDURES  
(CONTINUED)**

*Comprehensive Budget*

9. For all grants exceeding five thousand dollars, we determined that each applicable federal, state, or local grantor agency was provided with a comprehensive budget of those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance, noting no exceptions.

*Prior Comments and Recommendations*

10. Per discussion with management, there were no prior year reviews or audits conducted of the organization, as such there were no prior comments or recommendations.

*Other Matters*

Pursuant to the requirement of Louisiana Statute R.S. 24:513 annual financial reports shall be completed within six (6) months of the close of an entity's fiscal year. Due to employee turnover and computer hardware problems, **Operation Reach** was unable to have their review and attestation completed by the prescribed deadline.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management, the Legislative Auditor (State of Louisiana), and the applicable state grantor agency/agencies and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bruno & Tervalon LLP*  
BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS

August 18, 2008

## LOUISIANA ATTESTATION QUESTIONNAIRE

May 25, 2008

Bruno & Tervalon LLP  
4298 Elysian Fields Ave.  
New Orleans, LA 70122

In connection with your review of our financial statements as of December 31, 2007 and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of December 31, 2007.

### **Federal, State, and Local Awards**

We have detailed for you the amount of Federal, state and local award expenditures for the fiscal year, by grant and grant year.

Yes [ X ] No [ ]

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and grantor officials.

Yes [ X ] No [ ]

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

Yes [ X ] No [ ]

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the OMB Compliance

Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

Yes [ X ] No [ ]

**Open Meetings**

Our meetings, as they relate to public funds, have been posted as an open meeting as required by LSA-RS 42:1 through 42:12 (the open meetings law).

Yes [ X ] No [ ]

**Budget**

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance

Yes [ X ] No [ ]

**Prior Year Comments**

We have resolved all prior-year recommendations and/or comments.

N/A

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the federal, state, and local grants, to include the applicable laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We will also disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance which may occur up to the date of your report.

Kyshan Webster, Sr. CEO 8-22-08 Date

# OR OPERATION REACH Inc

201 St. Charles Ave. Suite 2560, New Orleans, LA 70170 Corporate Office (504) 599-5941 www.operationreach.org

*"A non-profit community education resource"*

August 21, 2008

Bruno & Tervalon LLP  
4298 Elysian Fields Ave.  
New Orleans, LA 70122  
To: Bruno & Tervalon LLP:

We are providing this letter in connection with your Independent Auditor's Attestation Report of **Operation Reach, Inc** as of the fiscal year ended on December 31, 2007. We concur with the following recommendations which numerically correlate back to the Attestation Report:

**Item no.**

- 3) Management agrees with the recommendation to require contractors to submit invoices in the future for payment processing instead of relying solely on computations from timesheets.
- 4) Management accepts the recommendation to consistently follow the existing cost allocation plan. During the current year, we will adhere to the organization's existing cost allocation plan.
- 5) Management concurs with the recommendation and will ensure that all reoccurring bill payments for essential operating costs are carefully reviewed and that the corresponding bill statements are initialed to reaffirm that these reoccurring bills statements have been carefully reviewed by management.
- 6) We will reconcile differences noted in the referenced closeout report and the accounting records, and if necessary file an amended report.
- 8.) In the future, we will maintain copies on file of posted signs advertising open meetings of the board of directors of the organization.
- 10) Although an official extension was requested and granted by the Louisiana Legislative Auditor's Office, Management will ensure that the current year's financial review requirements for 2008 are filed with the Louisiana Legislative Auditor's Office on time.

The Management of Operation REACH Inc. is thankful for your objective review and recommendations. We will work toward immediate implementation of the recommendations.

Sincerely,



Kyshun Webster, Sr. Ph.D.  
CEO