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LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING

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Release Date 12/18/02

FINANCIAL STATEMENTS

JUNE 30, 2002

YOUNGBLOOD & HODGES

A PROFESSIONAL ACCOUNTING CORPORATION

4700 LINE AVENUE

P. O. Box 5926

SHREVEPORT, LOUISIANA 71135-5926

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Louisiana Association on Compulsive Gambling
Shreveport, Louisiana

We have audited the accompanying statement of financial position of the Louisiana Association on Compulsive Gambling (a nonprofit organization) as of June 30, 2002, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association'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 the Louisiana Association on Compulsive Gambling as of June 30, 2002, and the changes in its net assets and its cash flows for the year 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 29, 2002, on our consideration of the Louisiana Association on Compulsive Gambling's internal control over financial reporting and our 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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Louisiana Association on Compulsive Gambling taken as a whole. The accompanying schedule of state contracts is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


YOUNGBLOOD & HODGES
A Professional Accounting Corporation

October 29, 2002

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2002

ASSETS

Current Assets

Cash on hand and in bank, including \$388,314 bearing interest	\$ 388,814
Accounts receivable	121,515
Prepaid rent	<u>25,098</u>
Total Current Assets	<u>535,427</u>

Property and Equipment

Equipment	27,224
Furniture and fixtures	31,915
Leasehold improvements	188,373
Vehicles	<u>26,079</u>
Total Property and Equipment	273,591
Less: Accumulated depreciation	<u>(56,068)</u>
Net Property and Equipment	<u>217,523</u>

Total Assets	<u>\$ 752,950</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 93,284
Inter-agency accounts payable	<u>25,000</u>
Total Current Liabilities	<u>118,284</u>

Net Assets

Net assets – Unrestricted	<u>634,666</u>
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Total Liabilities and Net Assets	<u>\$ 752,950</u>
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See independent auditor's report and notes to financial statements

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2002

<u>Public Support</u>	
Contributions and memberships	\$ 232,180
<u>Revenues</u>	
Client payments	39,344
State of Louisiana contract income	807,294
State conference income	11,100
Miscellaneous income and grants	8,504
Interest income	<u>7,389</u>
Total Revenues	<u>873,631</u>
Total Public Support and Revenues	<u>1,105,811</u>
<u>Expenditures</u>	
<u>Program Services</u>	
Professional salaries	245,135
Support salaries	205,357
Professional fees	52,700
Outside services	3,878
Contract dietician	1,113
Contract physician	14,050
Contract RN	5,988
Contract psychiatrist	890
Lab and medical services	2,409
Food and beverage supplies	21,426
Equipment rent and lease	7,463
Rent	69,600
Laundry supplies	6
Linen and bedding	710
Utilities	21,550
Telephone and communications	27,202
Paging service	850
Maintenance supplies	948
Kitchen supplies	2,636
Housekeeping supplies	2,886
Advertising and promotion	350

(Continued)

See independent auditor's report and notes to financial statements

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2002

<u>Program Services (Continued)</u>	
General and liability insurance	5,037
Professional liability insurance	1,540
Medical, life and disability insurance	21,514
Vehicle insurance	1,584
Building and grounds repair and maintenance	12,602
Equipment repair and maintenance	8,652
Automobile parking	2,273
Auto oil and gas	610
Payroll taxes	34,463
Unemployment expense	11,938
Workmen's compensation insurance	7,071
Licenses, permits and fees	3,582
Recreation expense	11
Office supplies	13,516
Travel expense	17,002
Auto mileage reimbursement	9,383
Literature and printing	32,809
Dues and subscriptions - individuals	2,384
Dues and subscriptions - organizations	5,125
Accounting and audit fees	6,500
Board meeting expenses	2,419
Postage and shipping	4,377
Training supplies	2,896
Seminar expense	4,235
State conference expense	23,395
Client assistance	2,385
Education, training and activities	13,182
Other expense	5,973
Management fees	27,000
Depreciation expense	<u>13,204</u>
Total Program Services	<u>983,809</u>
Increase (decrease) in net assets - Unrestricted	122,002
Net assets – Unrestricted, beginning of year	<u>512,664</u>
Net assets – Unrestricted, end of year	<u>\$ 634,666</u>

(Concluded)

See independent auditor's report and notes to financial statements

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002

<u>Cash flows from operating activities</u>	
Increase (decrease) in net assets	\$ 122,002
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities	
Depreciation	13,204
(Increase) decrease in accounts receivable	(48,472)
(Increase) decrease in prepaid expenses	4,652
Increase (decrease) in accounts payable	<u>13,948</u>
Net cash provided (used) by operating activities	<u>105,334</u>
 <u>Cash flow from investing activities</u>	
Cash payments for the purchase of property	<u>(53,170)</u>
Net cash provided (used) by investing activities	<u>(53,170)</u>
 Net increase (decrease) in cash and equivalents	52,164
Cash and equivalents, beginning of year	<u>336,650</u>
Cash and equivalents, end of year	<u>\$ 388,814</u>
 <u>Supplemental disclosures of cash flow information:</u>	
<u>Cash paid during the year for:</u>	
Interest expense	<u>\$ 0</u>
Income Tax	<u>\$ 0</u>

See independent auditor's report and notes to financial statements

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

(1) SIGNIFICANT ACCOUNTING POLICIES

Organization

The Louisiana Association on Compulsive Gambling is a non-profit corporation. The purpose of the Louisiana Association on Compulsive Gambling is to continue heightening public awareness that compulsive gambling is a preventable and treatable disease, through a combined strategy of education and training, and the efforts of individuals, families and all elements of the community working in concert.

Depreciation and capitalization policy

The basis of valuation of depreciable assets is the asset's cost or fair market value at date of donation. Expenditures for assets in excess of \$500 are capitalized. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis as follows:

Leasehold improvements	25 years
Vehicles	5 years
Furniture and fixtures	7 years
Equipment	5 - 7 years

Provision for Income Taxes

No provision for income taxes is reflected in the statements as the Association files a tax-exempt return under IRS Section 501(c)(3).

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash Equivalents

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The organization has not accrued compensated absences because the amount cannot be reasonably estimated.

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

(1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue

The Association receives its grant and contract support primarily from the State of Louisiana Department of Health and Hospitals and other State Agencies. Support received from those grants and contracts is recognized on a "net funded" basis whereby State of Louisiana Department of Health and Hospitals, Office for Addictive Disorders funding is recognized on a last-dollar-in basis. Related expenses incurred are "netted" first by client fee income in determining grant funds to be recognized. The Association received client fee income for billable client services and recognized these fees and income when earned.

Any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Association with the terms of the grants/contracts.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. If during the year a contribution received is temporarily restricted and the requirements of the temporary restriction are met in the same year, thus releasing all of it from the restriction, it is the Association's policy to report the contribution income and the related expenses as unrestricted.

Memberships

Memberships are essentially honorary, as no goods or services are provided to the members in exchange for their membership dues, and consequently, memberships have been treated as contribution revenue.

(2) LEASES

The Association leases the facilities that house its treatment center. The original term of the lease was five (5) years and the lease payments are \$4,500 per month, resulting in remaining minimum lease payments of \$54,000 in the year ending June 30, 2003 and \$24,750 in the year ending June 30, 2004. See Note 3 for additional information.

The Association entered into a lease agreement on June 24, 2002, for the temporary location of a new treatment center in New Orleans. The term of the lease is six months and six days. The Association prepaid the first month's rent in the current fiscal year, resulting in \$5,500 of remaining minimum lease payments due in the year ending June 30, 2003.

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

(3) RELATED PARTY TRANSACTIONS

The Association entered into transactions with the Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc. (the Council), a nonprofit organization related through common management. The Council owns a building that it leases to the Association. The term of the lease is five (5) years and the lease payment is \$4,500 per month. The lease includes a \$45,000 deposit by the Association that it may deduct from its rental payments to the Council at the rate of \$500 per month for ninety (90) consecutive months as a reduction in the amount of the deposit. At June 30, 2002, the remaining amount of the deposit was \$23,750. In the event that the Association does not make monthly payments or elects not to occupy the leased premises, the balance of the remaining deposit will be forfeited to the Council. The Council provides services and office space (separate from the leased building) to the Association and charges the Association a management fee for these services. The management fees were \$27,000 for the year ended June 30, 2002. The Council also processes the payroll for the Association and the Council receives reimbursement for the expense of the payroll and payroll taxes. The Association had a payable due to the Council for payroll, rent, management fees, and expenses at June 30, 2002, of \$69,461 which is included in accounts payable.

The Association also rented another building from the Council for use in its programs. During the fiscal year ended June 30, 2002, total rent paid to the Council for this building and the leased building described above was \$69,600 (\$15,600 which is included in the Help Line's program expenses and \$54,000 which is included in C.O.R.E.'s program expenses).

The Association entered into transactions with a company partially owned by one of the Association's board members. These transactions were entered into during the normal course of the Association's operations and were consummated in the same manner as any other arm's length transactions. Total transactions with this company during the year amounted to \$73.

(4) DEPRECIATION EXPENSE

Depreciation expense of \$13,204 was charged to operations during the year ended June 30, 2002, and is reflected in the Statement of Activities.

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

(5) CASH

At various times during the fiscal year, the Association's cash in bank balances exceeded the Federally insured limits. At June 30, 2002, the Association's uninsured cash balances totaled \$302,814.

(6) CONCENTRATIONS

Approximately 73% of the Association's total revenue comes from one source. Although not anticipated, the loss of this source of revenue could have an adverse effect upon the Association.

SUPPLEMENTAL INFORMATION

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING
STATEMENT OF ACTIVITIES - BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2002

	<u>LACG</u>	<u>CORE</u>	<u>Help Line</u>	<u>CORE South</u>	<u>Total</u>
<u>Public Support</u>					
Contributions & memberships	\$ 177,120	\$ 30,060	\$ 25,000	\$ -	\$ 232,180
<u>Revenues</u>					
Client payments	-	39,344	-	-	39,344
State of Louisiana contract income	75,203	457,725	264,463	9,903	807,294
State conference income	11,100	-	-	-	11,100
Miscellaneous income and grants	7,770	76	658	-	8,504
Interest Income	7,010	-	379	-	7,389
Total Revenues	<u>101,083</u>	<u>497,145</u>	<u>265,500</u>	<u>9,903</u>	<u>873,631</u>
 Total Public Support and Revenues	 <u>278,203</u>	 <u>527,205</u>	 <u>290,500</u>	 <u>9,903</u>	 <u>1,105,811</u>
<u>Expenditures</u>					
<u>Program Services</u>					
Professional salaries	29,108	162,802	49,059	4,166	245,135
Support salaries	-	75,774	128,250	1,333	205,357
Professional fees	36,210	8,490	8,000	-	52,700
Outside services	-	3,663	215	-	3,878
Contract dietician	-	1,113	-	-	1,113
Contract physician	-	14,050	-	-	14,050
Contract RN	-	5,988	-	-	5,988
Contract psychiatrist	-	890	-	-	890
Lab & medical services	32	2,267	110	-	2,409
Food & beverage supplies	-	21,329	97	-	21,426
Equipment rent and lease	-	6,600	863	-	7,463
Rent	-	54,000	15,600	-	69,600
Laundry supplies	-	6	-	-	6
Linen & bedding	-	710	-	-	710
Utilities	-	16,258	5,292	-	21,550
Telephone & communications	97	7,642	19,463	-	27,202
Paging service	488	252	110	-	850
Maintenance supplies	-	808	140	-	948
Kitchen supplies	-	2,448	188	-	2,636
Housekeeping supplies	-	2,830	56	-	2,886
Advertising and promotion	350	-	-	-	350

(Continued)

See independent auditor's report and notes to financial statements

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING
STATEMENT OF ACTIVITIES - BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2002

	<u>LACG</u>	<u>CORE</u>	<u>Help Line</u>	<u>CORE South</u>	<u>Total</u>
General and liability insurance	786	2,808	1,443	-	5,037
Professional liability insurance	1,540	-	-	-	1,540
Medical, life, and disability insurance	5,265	5,497	10,752	-	21,514
Vehicle insurance	-	1,584	-	-	1,584
Building and grounds repair and maintenance	-	8,378	4,224	-	12,602
Equipment repair and maintenance	-	6,797	1,855	-	8,652
Auto parking	-	-	2,273	-	2,273
Auto oil & gas	-	610	-	-	610
Payroll taxes	2,227	18,251	13,564	421	34,463
Unemployment expense	771	6,322	4,699	146	11,938
Workmen's compensation insurance	543	3,595	2,842	91	7,071
Licenses, permits and fees	2,870	712	-	-	3,582
Recreation expense	-	11	-	-	11
Office supplies	530	9,368	3,618	-	13,516
Travel expense	10,216	680	4,312	1,794	17,002
Auto mileage reimbursement	7,000	-	431	1,952	9,383
Literature and printing	27,868	2,615	2,326	-	32,809
Dues and subscriptions - individuals	930	672	782	-	2,384
Dues and subscriptions - organizations	5,000	125	-	-	5,125
Accounting and audit fees	1,500	3,000	2,000	-	6,500
Board meeting expenses	2,419	-	-	-	2,419
Postage & shipping	771	1,062	2,544	-	4,377
Training supplies	200	1,983	713	-	2,896
Seminar expense	2,122	1,520	593	-	4,235
State conference expense	22,959	5	431	-	23,395
Client assistance	-	2,267	118	-	2,385
Education, training, and activities	12,776	406	-	-	13,182
Other expense	252	4,329	1,392	-	5,973
Management fees	12,000	15,000	-	-	27,000
Depreciation expense	218	10,645	2,341	-	13,204
Total Program Services	<u>187,048</u>	<u>496,162</u>	<u>290,696</u>	<u>9,903</u>	<u>983,809</u>
Increase (decrease) in net assets - Unrestricted	91,155	31,043	(196)	-	122,002
Transfers of net assets	26,736	(31,043)	4,307	-	-
Net assets - Unrestricted, beginning of year	<u>452,382</u>	<u>-</u>	<u>60,282</u>	<u>-</u>	<u>512,664</u>
Net assets - Unrestricted, end of year	<u>\$ 570,273</u>	<u>\$ -</u>	<u>\$ 64,393</u>	<u>\$ -</u>	<u>\$ 634,666</u>

(Concluded)

See independent auditor's report and notes to financial statements

LOUISIANA ASSOCIATION ON COMPULSIVE GAMBLING
SCHEDULE OF STATE CONTRACTS
AWARDED BY THE STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS
OFFICE FOR ADDICTIVE DISORDERS
FOR THE YEAR ENDED JUNE 30, 2002

<u>Contract Number</u>	<u>Contract Term</u>	<u>Contract Amount</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
<u>Counseling Services</u> 70656	07/01/01-06/30/02	\$ 40,000	\$ 29,018	\$ 29,018
<u>CORE Treatment Center</u> 70440	07/01/01-06/30/02	558,450	457,725	457,725
<u>Help Line</u> 69913	07/01/01-06/30/02	265,000	264,463	264,463
<u>Gambling Conference</u> 70968	09/01/01-12/31/01	15,000	14,153	14,153
<u>Video Poker</u> 70969	11/01/01-06/30/02	34,000	32,032	32,032
<u>CORE South Treatment Center - Start-up</u> 71228	03/01/01-12/30/02	224,963	9,903	9,903

This schedule of state contracts includes the Louisiana Department of Health and Hospitals Office for Addictive Disorders contract activity of the Louisiana Association on Compulsive Gambling and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with State requirements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

See independent auditor's report and notes to financial statements

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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
Louisiana Association on Compulsive Gambling
Shreveport, Louisiana

We have audited the financial statements of the Louisiana Association on Compulsive Gambling (a nonprofit organization) as of and for the year ended June 30, 2002, and have issued our report thereon dated October 29, 2002. 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.

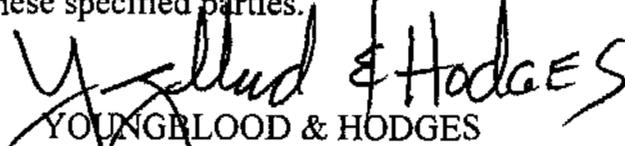
Compliance

As part of obtaining reasonable assurance about whether the Louisiana Association on Compulsive Gambling'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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Association on Compulsive Gambling's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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


YOUNGBLOOD & HODGES
A Professional Accounting Corporation

October 29, 2002