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PORT CITY ENTERPRISES, INC.

FINANCIAL STATEMENTS

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 10-25-00

Port City Enterprises, Inc.

Financial Statements

June 30, 2000

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Port City Enterprises, Inc.

I have audited the accompanying statement of financial position of Port City Enterprises, Inc. (a non-profit 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 the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and *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 Port City Enterprises, Inc. as of June 30, 2000, and the changes in net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated August 30, 2000, on my consideration of Port City Enterprises, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants, and on internal control over financial reporting.



Baton Rouge, Louisiana
August 30, 2000

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

To the Board of Directors
Port City Enterprises, Inc.

I have audited the financial statements of Port City Enterprises, Inc. (a nonprofit organization) as of and for the year ended June 30, 2000, and have issued my report thereon dated August 30, 2000. I conducted my audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States.

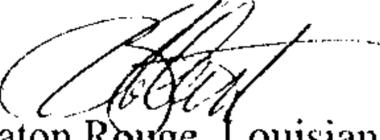
Compliance

As part of obtaining reasonable assurance about whether Port City Enterprises, 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 statement 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 Port City Enterprises, 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. My 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to relatively low level the risk that errors or irregularities 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. I noted no matters involving the internal control structure and its operation that I consider to be material weaknesses as defined above. However, I noted other matters involving the internal control over financial reporting, which I have reported to management of Port City Enterprises, Inc. in a separate letter dated August 30, 2000.

This report is intended for the information of the board of directors, management, and the Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.


Baton Rouge, Louisiana
August 30, 2000

PORT CITY ENTERPRISES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2000

ASSETS	
Current assets	
Cash	\$ 156,291
Accounts receivable	32,165
Prepaid insurance	887
Total current assets	<u>189,343</u>
Property, plant and equipment	
Lawn equipment	25,967
Office equipment and furniture	19,747
Vehicles	29,955
Leasehold improvements	23,469
	<u>99,138</u>
Accumulated depreciation and amortization	(60,025)
Net property, plant and equipment	<u>39,113</u>
TOTAL ASSETS	\$ <u>228,456</u>
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	\$ 693
Accrued expense	217
Other payroll withholding	217
Total current liabilities	<u>1,127</u>
Net assets	
Unrestricted	<u>227,329</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>228,456</u>

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

**PORT CITY ENTERPRISES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2000**

SUPPORT AND REVENUE

Support:

Contributions	\$	16,100
Total support		16,100

Revenue:

Contract/Grant funds		306,747
Interest income		3,017
Miscellaneous income		2,611
Total revenue		312,375

Total support and revenue		328,475
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EXPENSES

Program services		244,028
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Supporting services-management and general		34,030
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Total expenses		278,058
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Change in net assets		50,417
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Net assets, beginning of year		176,912
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Net assets, end of year	\$	227,329
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The accompanying notes are an integral part of these financial statements.

**PORT CITY ENTERPRISES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2000**

Cash flows from operating activities	
Increase in net assets	\$ <u>50,417</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	10,419
(Increase)decrease in accounts receivable	1,492
(Increase)decrease in prepaid expenses	(44)
Increase(decrease) in accounts payable	(148)
Increase(decrease) in accrued expense	(73)
Increase(decrease) in payroll taxes payable	(3,296)
Increase(decrease) in other payroll withholding	(113)
Total adjustments	<u>8,237</u>
Net cash provided (used) by operating activities	<u>58,654</u>
 Cash flow from investing activities:	
Cash payments for the purchase of property	<u>(220)</u>
Net cash provided (used) by investing activities	(220)
 Net increase (decrease) in cash and equivalents	<u>58,434</u>
Cash and equivalents, beginning of year	97,857
Cash and equivalents, end of year	<u>\$ <u>156,291</u></u>

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

PORT CITY ENTERPRISES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2000

	Program Services	Management and General	Totals
Advertising	\$ 0	\$ 532	\$ 532
Bank charges	0	94	94
Depreciation expense	9,377	1,042	10,419
Equipment lease	1,360	151	1,511
Facilities costs	10,800	1,200	12,000
Insurance	18,285	1,492	19,777
Licenses	0	37	37
Miscellaneous	1,918	1,966	3,884
Pager and cell phone	2,652	0	2,652
Payroll taxes	13,234	1,360	14,594
Pest control	346	39	385
Postage	0	284	284
Professional fees	5,916	5,916	11,832
Repairs	4,352	107	4,459
Salaries	156,794	18,408	175,202
Security	405	45	450
Services for clients	401	0	401
Staff expenses	6,741	0	6,741
Supplies	9,894	1,185	11,079
Telephone	1,553	172	1,725
Total expenses	\$ 244,028	\$ 34,030	\$ 278,058

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

NOTE 1- Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of Port City Enterprises, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Financial Statement Presentation

Port City Enterprises, Inc. 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, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Donated Facilities Costs

The West Baton Rouge Parish Police Jury provides facilities, including utilities and building maintenance, for the use of Port City Enterprises, Inc. This provision is made at no cost to the organization. Management has estimated that the fair market value of the facility usage, utilities and building maintenance at \$12,000. The financial statements reflect \$12,000 of support from this in-kind donation and \$12,000 of expense in connection with facility costs.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support and revenue and expenses. Actual results could differ from those estimates.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among program and supporting services benefitted.

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Port City Enterprises, Inc.
Notes to Financial Statements(continued)
June 30, 2000

Nature of Activities

Port City Enterprises, Inc. is organized for the purpose of assisting people with developmental disabilities in finding and maintaining community based employment of their own choosing, to educate the public concerning the rights of individuals with disabilities and supported employment programs in general, to advocate for the employment of individuals with severe disabilities in community settings where the majority of co-workers are individuals without severe disabilities, and to act as an information clearinghouse for programs offering supported employment services regarding best practices, and policies and procedures specific to the State of Louisiana.

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Leasehold Improvements

Leasehold improvements are carried at cost. Amortization is computed using the straight-line method over the estimated useful lives of the respective improvements. When improvements are abandoned or otherwise disposed of, the cost and related accumulated amortization are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred.

NOTE 2-Certificates of Deposit

Certificates of deposit totalling \$66,872 are included in cash in the accompanying financial statements. The certificates bear interest of 4% and have maturities of three months and eight months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

NOTE 3-Financial Instruments

Concentration of Credit Risk from Cash Deposits in Excess of Insured Limits

Port City Enterprises, Inc. maintains its cash balances in one financial institution located in Port Allen, Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2000, Port City Enterprises, Inc.'s uninsured cash balances totaled \$64,037.

Fair Values of Financial Instruments

The estimated fair values of the Organization's financial instruments are as follows:

Cash and certificates of deposit have carrying amounts of \$156,291 and fair value of the same amount. Because of the short maturities of the certificates of deposit, the carrying amount approximates fair value.

NOTE 4-Leases

Operating lease

The organization had a noncancelable operating lease for office equipment. The lease was on a month-to-month basis. Equipment lease expense for this lease consisted of \$1,511 for the year ended June 30, 2000.

Port City Enterprises, Inc.
Notes to Financial Statements(continued)
June 30, 2000

NOTE 5-Business and Credit Concentrations

Port City Enterprises, Inc.'s primary sources of revenue are from contracts administered and/or funded by the State of Louisiana and the United States government. During the year presented, approximately 64% of the Organization's revenues were derived from these sources. All of the amounts listed as accounts receivable are from these contracts.

The Organization's clients, during the year presented, all reside within the state of Louisiana.

ROY HEBERT

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To the Senior Management and
the Board of Directors
Port City Enterprises, Inc.

In planning and performing my audit of the financial statements of Port City Enterprises, Inc. for the year ended June 30, 2000, I considered the organization's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. (I previously reported on the organization's internal control over financial reporting in my report dated August 30, 2000.) This letter does not affect my report dated August 30, 2000, on the financial statements of Port City Enterprises, Inc.

I will review the status of these comments during my next audit engagement. I will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. My comments are summarized as follows:

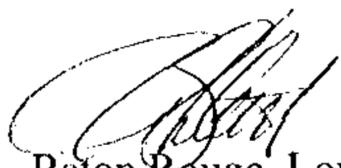
Organizational Structure

The size of Port City Enterprises, Inc.'s accounting and administrative staff size precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remain actively involved in the financial affairs of the organization to provide oversight and independent review functions.

This comment is identical to the one made upon the completion of the audit for the year ended June 30, 1999, and is the only comment made in connection with that audit.

I wish to thank the Executive Director and her staff for their assistance during my audit.

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



Baton Rouge, Louisiana
August 30, 2000