

**OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA**

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

Under provisions of state law this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and where appropriate at the office of the parish clerk of court.

Release Date MAR 28 2012

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Options Foundation, Inc
Baton Rouge, Louisiana

We have audited the accompanying statement of financial position of Options Foundation, Inc (a nonprofit organization) as of June 30, 2011, 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. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Options Foundation, Inc as of June 30, 2010 were audited by other auditors whose report dated December 29, 2010 expressed an unqualified opinion on those statements.

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 Options Foundation, Inc as of June 30, 2011, 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 December 14, 2011, on our consideration of Options Foundation, Inc's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sincerely,

Ehricht & Associates, LLC
Baton Rouge, Louisiana
December 14, 2011

FINANCIAL STATEMENTS

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

	<u>ASSETS</u>	
	<u>2011</u>	<u>2010</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 19,912	\$ -
Cash - resident funds	120,188	131,564
Certificate of Deposit - pledged	-	35,000
Investments	-	10,322
Contract receivables	104,686	168,589
Other current assets	<u>36,672</u>	<u>3,643</u>
<u>Total current assets</u>	<u>281,458</u>	<u>349,118</u>
<u>Fixed Assets</u>		
Land	88,325	88,325
Buildings	860,548	856,128
Vehicles	50,397	77,273
Furniture and Fixtures	54,591	54,591
Improvements	43,668	72,820
Computers and Equipment	<u>41,971</u>	<u>21,971</u>
	1,139,500	1,171,108
Accumulated Depreciation	<u>(427,878)</u>	<u>(443,439)</u>
<u>Total fixed assets</u>	<u>711,622</u>	<u>727,669</u>
<u>Other Assets</u>		
Deposits	-	2,557
Due from Related Companies	<u>417,678</u>	<u>292,095</u>
<u>Total Other Assets</u>	<u>417,678</u>	<u>294,652</u>
<u>Total Assets</u>	<u>1,410,758</u>	<u>\$ 1,371,439</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Bank Overdrafts	\$ -	\$ 4,790
Short-term notes payable	34,677	35,000
Notes payable - current portion	33,545	180,602
Accounts payable	44,108	52,552
Accrued Rent	33,600	-
Resident funds payable	120,188	131,564
Accrued wages	11,690	23,944
Payroll taxes and related payables	247,304	216,267
Due to related companies	<u>27,004</u>	<u>27,003</u>
<u>Total current liabilities</u>	<u>552,116</u>	<u>671,722</u>
<u>Long Term Liabilities</u>		
Notes payable	<u>504,929</u>	<u>333,645</u>
<u>Total liabilities</u>	<u>1,057,045</u>	<u>1,005,367</u>
<u>Net Assets</u>		
Unrestricted	<u>353,713</u>	<u>366,072</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 1,410,758</u>	<u>\$ 1,371,439</u>

The accompanying notes are an integral part of these statements

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

CHANGES IN UNRESTRICTED NET ASSETS

<u>Revenues and Gains</u>	<u>2011</u>	<u>2010</u>
Unrestricted Support Revenues		
Grant-Office of Mental Health-River Oaks	\$ 322,354	\$ 325,303
Grant-Office of Mental Health-A New Life	-	47,333
Grant-HUD/City of Baton Rouge-Options Villa	144,279	132,882
Grant-HUD-HPRP	120,795	42,552
Grant-Wilson Foundation	-	29,950
Rent Income-River Oaks	103,950	103,652
Rent Income-Options Villa	119,493	119,161
Rent Income-A New Life	-	18,000
Rent Income-Options West	61,515	27,706
Rent Income-Options East	2,325	4,573
Rent Income-Pines Estates	36,815	72,428
Rent Income-Acadiana	28,275	43,552
Rent Income-Donmoor	-	10,399
Donations	279,500	99,860
Management Fees	9,472	10,018
Charitable Gaming	170,792	105,364
Vending Income	23,940	7,769
Investment Income	-	59
Forgiveness of Debt	-	1,387,715
Other	22,540	64,171
<u>Total Revenues and Gains</u>	<u>\$ 1,446,045</u>	<u>\$ 2,652,447</u>

The accompanying notes are an integral part of these statements

OPTIONS FOUNDATION, INC
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

CHANGES IN UNRESTRICTED NET ASSETS-continued

	<u>2011</u>	<u>2010</u>
<u>Expenses</u>		
Program Services		
River Oaks	\$ 326,131	\$ 353,339
Options Villa	264,440	237,139
A New Life	-	71,338
Options West	63,823	15,829
Options East	77,622	19,512
Pines Estates	155,434	225,294
Acadiana	163,279	171,716
Dortmoor	-	27,936
HPRP	177,585	51,919
Support Services		
Management and General	61,200	393,124
Vending	24,248	5,850
Charitable Gaming	144,642	82,786
<u>Total Expenses</u>	<u>1,458,404</u>	<u>1,655,782</u>
<u>Increase (decrease) in Unrestricted Net Assets</u>	(12,359)	996,665
<u>Net Assets - beginning of period</u>	<u>366,072</u>	<u>(630,593)</u>
<u>Net Assets - end of period</u>	<u>\$ 353,713</u>	<u>\$ 366,072</u>

The accompanying notes are an integral part of these statements

OPTIONS FOUNDATION, INC.
BAYON ROUGE, LOUISIANA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

Expenses	River Oaks	Options Villa	Options West	Options East	Pines Estates	Acadiana	Charitable Gaming	Management and General	HPRP	Vending	2011 Total
Auto mileage	\$ 2,346	\$ 317	\$ -	\$ -	\$ 3,530	\$ 1,657	\$ -	\$ 135	\$ -	\$ -	\$ 7,985
Audit	-	422	-	-	-	-	-	15,550	-	-	15,550
Bank and billing charges	-	-	-	-	-	-	-	3,143	-	-	3,143
Bookkeeping	-	-	-	-	-	-	-	20,970	-	-	20,970
Contract services	4,433	1,414	-	-	790	480	-	23,939	-	-	36,387
Corporate Allocation	36,742	36,742	36,742	36,742	18,405	18,405	-	(183,778)	-	5,331	-
Data/Internet	2,390	1,051	-	-	971	443	-	42	-	-	4,897
Depreciation	950	19,323	5,374	7,267	-	-	-	450	-	5,640	39,004
Donation	-	-	-	-	-	-	-	1,000	-	-	1,000
Employee Education	410	60	-	-	335	-	-	429	-	-	1,234
Equipment Copier Rental	1,170	2,184	-	-	309	345	-	494	-	-	4,502
Food supply	21,612	-	-	-	9,997	11,471	-	-	-	-	43,080
Fuel	3,863	612	-	-	75	-	-	-	-	-	4,550
Fraud - WalMart	-	-	-	-	-	-	-	5,101	-	-	5,101
Insurance - Group Health	-	5,604	-	-	241	922	-	-	-	-	6,767
Insurance General Liability	3,251	3,251	-	4,876	4,876	1,625	-	4,876	-	-	22,755
Insurance Property	3,591	13,141	935	919	3,168	417	-	-	-	-	22,171
Insurance Workers Compensation	6,136	4,179	-	-	2,276	2,548	43	(1,742)	1,140	-	14,580
Insurance - EPL	954	2,573	1,060	933	-	586	-	-	-	-	6,106
Insurance Auto	1,650	-	-	-	-	-	-	-	-	-	1,650
Insurance D&O	-	-	-	-	-	-	-	5,076	-	-	5,076
Interest	-	17,291	-	-	-	-	-	664	-	-	17,955
Miscellaneous	-	-	-	-	-	-	-	9,814	-	-	9,814
Office expense	440	446	-	-	234	322	-	8,247	-	-	9,689
Payroll taxes	14,014	6,637	-	-	6,780	8,506	2,893	28,246	2,416	-	69,492
Payroll Fees	-	-	-	-	-	-	-	4,617	-	-	4,617
Pest Control	3,898	570	1,383	1,003	225	443	-	495	-	-	8,017
Penalties	-	-	-	-	-	-	-	2,000	-	-	2,000
Postage	-	-	-	-	-	-	113	656	-	-	769
Professional and legal	-	-	-	-	-	-	-	-	-	-	1,250
Progressive Bingo	-	-	-	-	-	-	7,325	-	-	-	7,325
Rent	33,600	8,174	8,550	12,012	22,000	23,400	48,285	9,000	142,452	-	307,473
Repairs and maintenance	14,068	14,814	4,959	6,726	2,365	735	-	3,396	-	-	47,063
Salaries	139,538	93,127	-	-	65,434	75,134	11,430	86,050	31,577	-	502,290
Supplies	624	1,176	-	-	797	726	73,914	-	-	13,277	90,514
Taxes and licenses	1,333	3,281	876	2,731	433	125	639	-	-	-	9,418
Telecommunications	5,520	4,035	-	-	1,865	3,781	-	10,252	-	-	25,453
Utilities	22,348	24,016	3,944	4,413	10,328	11,208	-	2,078	-	-	78,335
	\$ 326,131	\$ 264,440	\$ 63,823	\$ 77,622	\$ 155,434	\$ 163,279	\$ 144,642	\$ 61,200	\$ 177,585	\$ 24,248	\$ 1,458,404

The accompanying notes are an integral part of these statements

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

Expenses	River Oaks	Options Villa	A New Life	Options West	Options East	Pines Estates	Acadiana	Donorpool	HPRP	Charitable GIVING	Vending	Management and General	2010 Total
Auto mileage	\$ 699	\$ 256	\$ -	\$ -	\$ -	\$ 726	\$ 722	\$ -	\$ -	\$ -	\$ -	\$ 456	2,859
Bank and billing charges	-	-	-	-	-	-	73	-	-	-	-	6,374	6,447
Business gifts	400	940	-	-	-	240	375	-	-	-	-	-	1,955
Contract services	22,388	43,952	6,609	-	-	2,038	800	-	-	320	-	32,886	108,993
Data	2,063	939	-	-	-	-	-	-	-	-	-	-	3,002
Depreciation	950	22,221	-	5,792	7,267	-	-	-	-	-	1,093	996	38,319
Donation	-	-	-	-	-	-	-	-	-	2,000	-	-	2,000
Education and newsletter	385	361	60	-	-	515	1,084	-	-	-	-	388	1,709
Employee recruitment	-	-	-	-	-	-	-	-	-	-	-	-	1,084
Employee benefits	-	-	-	-	-	19,307	-	-	-	-	-	1,300	1,300
Food supply	23,160	2,010	8,550	-	-	-	-	-	-	-	-	-	53,027
Fuel	2,618	1,238	-	-	-	-	-	-	-	-	-	-	3,856
Insurance	13,914	17,864	3,219	5,099	6,911	13,489	7,067	1,699	105	2,086	-	8,275	79,728
Interest	-	11,336	-	-	-	36,000	38,400	17,100	-	53,810	-	20,401	31,737
Lease/rent	57,455	-	-	-	-	-	-	17,100	51,814	-	-	-	202,766
Rent subsidies	-	-	-	-	-	-	-	-	-	-	-	-	51,814
Meals and entertainment	23	-	-	-	-	521	179	-	-	-	-	228	430
Minor equipment and furnishings	473	963	-	-	-	-	-	-	-	-	-	-	1,957
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	3,261	3,261
Office expense	105	44	-	-	-	452	215	-	-	-	-	5,428	6,244
Patient meals and costs	-	-	-	-	-	-	9,024	-	-	-	-	-	9,024
Payroll taxes	12,751	5,900	3,582	-	-	8,683	6,722	-	-	669	-	8,211	46,518
Penalties	-	-	-	-	-	-	-	-	-	-	-	110,305	110,305
Pest control	-	-	-	-	-	460	448	40	-	-	-	-	948
Postage	-	-	-	-	-	-	-	-	-	155	-	-	155
Professional and legal	-	-	-	-	-	-	-	-	-	-	-	46,335	46,335
Progressive bingo	-	1,351	-	-	-	-	-	-	-	7,350	-	-	7,350
Property taxes	-	-	-	-	-	125	-	-	-	-	-	-	1,476
Repairs and maintenance	11,246	12,290	188	228	665	5,736	7,491	1,287	-	-	-	5,231	45,362
Salaries	169,836	84,018	44,847	-	-	114,820	88,634	-	-	12,409	-	81,267	595,831
Supplies	385	29	272	-	-	1,356	2,562	-	-	2,438	4,757	126	11,925
Taxes and licenses	1,577	2,556	3,876	-	-	464	1,636	-	-	1,549	-	54,940	66,998
Telecommunications	5,296	4,209	-	-	-	1,326	958	-	-	-	-	1,029	12,818
Transportation	4,204	3,600	-	-	-	3,630	-	-	-	-	-	-	11,454
Utilities	23,410	21,062	135	4,710	4,669	14,386	5,326	7,810	-	-	-	5,687	87,195
	\$ 353,339	\$ 237,139	\$ 71,338	\$ 15,829	\$ 19,512	\$ 225,284	\$ 171,716	\$ 27,936	\$ 51,919	\$ 82,786	\$ 5,850	\$ 393,124	\$ 1,655,782

The accompanying notes are an integral part of these statements.

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ (12,360)	\$ 996,665
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	39,004	38,319
Amortization of loan origination fee	137	-
(Increase) decrease in Certificates of Deposits	35,000	-
(Increase) decrease in Investments	10,322	-
(Increase) decrease in resident funds	11,376	67,803
(Increase) decrease in contracts receivable	63,903	(29,944)
(Increase) decrease in other current assets	(33,029)	5,363
Decrease in deposits	2,557	200
Increase (decrease) in accounts payable	(8,444)	81,376
Increase (decrease) in accrued rent	33,600	-
Increase (decrease) in bank overdrafts	(4,790)	4,790
Increase (decrease) in accrued liabilities	18,783	91,120
Increase (decrease) in resident funds payable	(11,376)	(71,486)
Unrealized loss (gain) on investments	-	37
Net cash used by operating activities	<u>144,683</u>	<u>1,184,243</u>
<u>Cash Flows From Investing Activities</u>		
Advances to related companies	(125,583)	(55,541)
Advances from related companies	1	225,236
Debt Forgiveness - related company	-	(1,387,715)
Retirement of fixed assets and leasehold improvements	(18,538)	-
Purchase of property	(4,419)	(8,200)
Net cash used by investing activities	<u>(148,539)</u>	<u>(1,226,220)</u>
<u>Cash Flows From Financing Activities</u>		
Loan Proceeds - short term debt	53,566	35,000
Loan Proceeds - long term debt	210,658	-
Loan payments-community development block grant program	(20,562)	(11,313)
Loan payments - short term debt	(53,889)	-
Loan payments-bank loan	(166,006)	(17,585)
Net cash provided (used) by financing activities	<u>23,767</u>	<u>6,102</u>
Increase (Decrease) in Cash and Cash Equivalents	19,911	(35,875)
Cash and cash equivalents, beginning of period	-	35,875
Cash and cash equivalents, end of period	<u>\$ 19,911</u>	<u>\$ -</u>
Cash paid for interest		
Total interest expense per statement of functional expenses	\$ 17,955	\$ 31,737
Accrued interest on IRS notices	-	(15,755)
Cash paid	<u>\$ 17,955</u>	<u>\$ 15,982</u>

The accompanying notes are an integral part of these statements

NOTES TO FINANCIAL STATEMENTS

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

1 **Summary of Significant Accounting Policies**

(a) **Organization and Nature of Activities**

Options Foundation, Inc is a private, non-profit organization whose purpose is to provide services for people with behavioral health requirements primarily in Baton Rouge, Louisiana

Options Foundation, Inc is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code, and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, Options Foundation, Inc has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for 2011 or 2010. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed.

(b) **Basis of Accounting**

The Organization maintains its books and prepares its financial statements on the accrual basis of accounting according to accounting principles generally accepted in the United States of America. Consequently, revenues are recognized when earned, and expenses are recognized when incurred. All significant receivables, payables and other liabilities are reflected in the financial statements.

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.

The Organization allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program are allocated directly according to their natural expense classification.

(c) **Net Assets**

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of contributor imposed restrictions. The Organization's net assets balance is comprised only of net assets for general use with no restrictions.

(d) **Other Accounting Policies**

Cash Equivalents

The Organization considers all highly liquid investments, including certificates of deposit with maturity of three months or less, to be cash equivalents.

Contributions

The Organization is required to report its contributions received as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010

1 Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable, where recognized, are actual amounts owed to the Organization and are recognized at net amount owed with no allowance for uncollectible accounts. Management expects all receivables to be collectible for the years ended June 30, 2011 & 2010.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

The Foundation carries investments in marketable securities with readily determined fair values and all investments in debt securities at their fair values in the Statements of Financial Position.

Subsequent Events

The Organization has evaluated subsequent events through December 14, 2011, the date the financial statements were available to be issued, for recording and disclosure.

2 Fixed Assets

Fixed assets acquired by Options Foundation, Inc. are considered owned by the Organization. However, State funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State has a reversionary interest in those assets purchased with its funds, which have a cost of \$500 or more, and an estimated useful life of at least two years.

Options Foundation, Inc. follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

<u>Estimated Useful Life</u>	
Buildings & Improvements	30 years
Furniture & equipment	5 - 12 years
Transportation equipment	5 years

Depreciation expense was \$39,004 and \$38,319 for the years ended June 30, 2011 and 2010, respectively.

3 Resident Funds Payable/Representative Payee Account

Options Foundation, Inc., as a non-profit organization, has been designated a representative payee by the Social Security Administration for certain individuals participating in Options' residential programs. As representative payee, Options receives Social Security and/or Supplement Security Income (SSI) payments for individuals who cannot manage, or direct someone else to manage his or her money. The main responsibility of the payee is to use the funds to pay for the current and foreseeable needs of the

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010

3 Resident Funds Payable/Representative Payee Account (continued)

beneficiary and to save any remaining funds for the beneficiary. A fee is collected by Options for performing this function. Because the funds are maintained and not owned by Options Foundation, Inc., the cash balance has been recorded as an asset on the financial statements with a corresponding liability of an equal amount.

4 Contracts Receivable

Receivables at years ended June 30, 2011 and 2010, are summarized below:

	<u>2011</u>	<u>2010</u>
DHH Office of Mental Health	\$ 24,272	\$ 73,144
Office of Housing and Urban Development	-	92,458
Office of Community Development	80,414	2,000
Other	-	987
	<u>\$ 104,686</u>	<u>\$ 168,589</u>

5 Allowance for doubtful accounts – contracts receivable

Uncollectible contracts receivable are charged directly to earnings when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

6 Compensated Absences

The Organization allows full-time employees to receive compensation for vacation and sick leave as workload allows. Compensated absences for vacation and sick pay have not been accrued since they cannot be reasonably estimated, but are expensed as incurred.

7 Certificate of Deposit – pledge

At June 30, 2010, restricted investments consisted of \$35,000 in a certificate of deposit set aside to secure a letter of credit. This line of credit and the certificates of deposit were eliminated in fiscal year 2011 and no longer exist.

8 Leased Facilities

Facilities used by Options Foundation, Inc. for River Oaks were leased for \$33,600 and \$52,800 for the years ended June 30, 2011 and 2010, respectively, from Medical Management Options, Inc. The current lease is a month-to-month lease. As of June 30, all of the rent for the year ending June 30, 2011 was accrued and unpaid.

Options Foundation, Inc. entered into a one year lease on June 1, 2011 with a Medical Management Options, Inc. for the administrative office located at 8540 Quarters Lake Road in Baton Rouge, Louisiana. The monthly rent is \$3,000 per month. There is an automatic renewal clause in the lease.

On December 28th 2010, Options Foundation entered into a one year lease for office/storage space located at 544 N Foster in Baton Rouge, Louisiana. The rent is \$1,250 per month.

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010

9 **Related Party Transactions**

The total amount owed to related organizations amounted to \$27,004 and \$27,003 for the years ended June 30, 2011 and 2010, respectively. The total amount owed from related organizations amounted to \$417,678 and \$292,095 for the years ended June 30, 2011 and 2010, respectively. Medical Management Options, Inc forgave debt in the amount of \$1,387,715 during the year ended June 30, 2010. Balances of receivables and payables are a result of working capital advances to and from related organizations.

10 **Commitments and Contingencies**

Revenue – Options Foundation, Inc receives a portion of its revenues from federal and state government grants and contracts, many of which are subject to audit by the federal or state government. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to, and audited by, the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is not aware of any pending audits or proposed adjustments, and no provision for estimated retroactive adjustments have been made.

11 **Payroll taxes and related payables**

Prior to fiscal years ending in 2011 and 2010, payroll was maintained by Option's personnel and there was a problem in that years later it was determined by the Internal Revenue Service that the employee yearly earnings reports, forms W-2s, were not filed. As a result significant penalties were assessed against Options Foundation, Inc. These penalties are recorded on these financial statements, however attempts are being made to have the penalties waived. The total amount owed to the Internal Revenue Service for the penalties amounted to \$100,017 and \$101,050 for the years ended June 30, 2011 and 2010, respectively.

In prior years the unemployment taxes for the Louisiana Workforce were determined using a reimbursable account which is not the norm for most employers. As a result there is a large balance due for old taxes. As of January 1, 2011, Options has been allowed to pay taxes like most other employers in the state of Louisiana which should result in a much lower tax obligation. Efforts are also being made to reduce or waive the old balance. The total amount owed to the Louisiana Workforce Commission for the unemployment taxes amounted to \$147,287 and \$115,216 for the years ended June 30, 2011 and 2010, respectively.

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010

12 **Notes Payable**

Notes payable consist of the following at June 30, 2011 and 2010:	<u>2011</u>	<u>2010</u>
Note dated August 25, 2006 with a balance of \$179,414 due in 59 equal installments of \$1,402 at 7% interest with a balloon payment consisting of the remaining amount of principal and any accrued interest due, payable on August 25, 2010 The loan is secured by land, buildings and deposit account	\$ -	\$ 156,711
Less current maturities	-	<u>(156,711)</u>
Long-term debt, less current portion	<u>\$ -</u>	<u>\$ -</u>
Note dated September 14, 2000 with an original balance available of \$171,000, maturing April 1, 2021 The loan is a principal only (no interest) loan for a term of twenty years, payable in monthly installments of \$712 50 beginning April 1, 2001 The loan is secured by a first mortgage on the subject property listed as 143 & 145 N 24 th street and 2386 Convention St , Baton Rouge, LA The source of the loan is Federal grant funds available under the Community Development Block Grant (CDBG) Program, as provided to the City of Baton Rouge-Parish of East Baton Rouge under grant agreements with the U S Department of Housing and Urban Development The loan proceeds are restricted to property acquisition and rehabilitation construction costs	\$ 84,787	\$ 93,053
Less current maturities	<u>(8,550)</u>	<u>(8,550)</u>
Long-term debt, less current portion	<u>\$ 76,237</u>	<u>\$ 84,503</u>
Note dated June 14, 2002 with an original balance available of \$54,000, maturing November 1, 2020 The loan is a principal only (no interest) loan for a term of twenty years, payable in monthly installments of \$250 00 beginning November 1, 2002 The loan is secured by a first mortgage on the subject property listed as 150 North 26 th Street, Baton Rouge, LA The source of the loan is Federal grant funds available under the Community Development Block Grant (CDBG) Program, as provided to the City of Baton Rouge, of East Baton Rouge under grant agreements with the U S Department of Housing and Urban Development The loan proceeds are restricted to property acquisition and rehabilitation construction costs As of June 30, 2010 \$52,000 had been disbursed for the purchase of property	\$ 25,197	\$ 28,197
Less current maturities	<u>(3,000)</u>	<u>(3,000)</u>
Long-term debt, less current portion	<u>\$ 22,197</u>	<u>\$ 25,197</u>

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010

12	<u>Notes Payable (continued)</u>	<u>2011</u>	<u>2010</u>
	Note dated July 7, 2003 with an original balance available of \$88,000, maturing July 15, 2023. Principal is first repayable in 60 equal installments of \$656.20 each, commencing August 15, 2003. Starting August 15, 2008, principal is repayable in 179 equal installments of \$635.67 each. The final principal payment of \$634.35 will be made on July 15, 2023. For the first sixty months, the interest rate on this note will be 6.5%. Thereafter, the interest rate is subject to change based on changes in an independent index, the Weekly Average Yield on U.S. Treasury Securities. The variable interest rate on this note can be no less than 6% and no higher than 14.5%. This interest rate at June 30, 2010 was 6%. The loan is secured by Collateral Mortgage Note dated July 7, 2003.		
	Less current maturities	\$ 72,608	\$ 76,370
	Long-term debt, less current portion	<u>(3,920)</u>	<u>(3,329)</u>
		<u>\$ 68,688</u>	<u>\$ 73,041</u>
	Note dated February 15, 2008 with an original balance of \$125,000, maturing May 31, 2028. The loan is a principal only (no interest) loan for a term of twenty years, payable in monthly installments of \$521.00 beginning May 31, 2008. The loan is secured by a first mortgage on the subject property listed as 2631 Convention Street, Baton Rouge, LA. The source of the loan is Federal grant funds available under the Community Development Block Grant (CDBG) Program, as provided to the City of Baton Rouge-Parish of East Baton Rouge under grant agreements with the U.S. Department of Housing and Urban Development.		
	Less current maturities	\$ 110,907	\$ 117,733
	Long-term debt, less current portion	<u>(6,252)</u>	<u>(6,251)</u>
		<u>\$ 104,655</u>	<u>\$ 111,482</u>
	Note dated May 19, 2008 with an original balance of \$55,000, maturing June 30, 2028. The loan is a principal only (no interest) loan for a term of twenty years, payable in monthly installments of \$230.00 beginning June 30, 2008. The loan is secured by a first mortgage on the subject property listed as 2618 Convention Street, Baton Rouge, LA. The source of the loan is Federal grant funds available under the Community Development Block Grant (CDBG) Program, as provided to the City of Baton Rouge-Parish of East Baton Rouge under grant agreements with the U.S. Department of Housing and Urban Development.		
	Less current maturities	\$ 46,249	\$ 49,009
	Long-term debt, less current portion	<u>(2,760)</u>	<u>(2,760)</u>
		<u>\$ 43,489</u>	<u>\$ 46,249</u>

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010

12

Notes Payable (continued)

2011

2010

Note dated October 25, 2010 with a balance of \$210,658 due in 60 monthly payments of \$1,853.17 at 6.56% interest with a balloon payment consisting of the remaining amount of principal and any accrued interest due, payable on October 25, 2015. The loan is secured by land, buildings and deposit accounts

	\$ 204,978	\$ -
Less current maturities	<u>(9,063)</u>	<u>-</u>
Long-term debt, less current portion	<u>\$ 195,915</u>	<u>\$ -</u>

Estimated principal maturities on long-term debt are as follows

June 30, 2012	\$ 33,545
June 30, 2013	34,400
June 30, 2014	35,311
June 30, 2015	36,282
June 30, 2016	190,421
Thereafter	<u>208,515</u>
	<u>\$ 538,474</u>

Options Foundation, Inc has short term financing agreements for insurance with Imperial Credit Corporation with interest at 7 percent

13 Charitable Gaming

During 2008 Options Foundation, Inc began conducting charitable gaming in the form of traditional and video bingo games. Louisiana law allows non-profit organization to partner with for profit organizations to conduct these activities with the proceeds going to the non-profit organization. Expenses for these activities include session rent, supplies and labor.

14 Restrictions on Net Assets

Grants and funds received by Options Foundation, Inc are temporarily restricted in that the funds are generally program specific and to be spent in accordance with grant guidelines. All temporarily restricted funds were disbursed during the year.

15 Fraud-Walmart

Options had credit cards for purchases at Walmart. The cards were issued to certain employees and the cards had separate numbers for each employee. During the last fiscal year it was discovered that an employee was making purchases for personal use. The employee was terminated.

OPTIONS FOUNDATION, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 and 2010

16 **Major Sources of Revenue**

Prior to fiscal year 2011, Options Foundation had a significant dependence on Medical Management Options for support. Much of the support that Options received was in the form of advances which were recorded as liabilities. In fiscal 2010, significant liabilities to Medical Management Options, Inc were forgiven and recognized as revenue. For the first part of fiscal 2011 Options received significant donations from Medical Management Options. An effort is being made to reduce the dependence on support from Medical Management Options. Presented below is a breakdown of the major percentages of revenue sources for fiscal 2011 and 2010.

	<u>2011</u>	<u>2010</u>
River Oaks	22%	12%
Donations - Medical Management Options	18%	
Charitable Gaming/Bingo	12%	4%
Forgiveness of Debt		52%

OPTIONS FOUNDATION, INC.
SCHEDULE OF FEDERAL/STATE FINANCIAL ASSISTANCE PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA PASS-THROUGH GRANTOR'S NUMBER	DISBURSEMENTS EXPENDITURES	
		FEDERAL	STATE
<i>Department of Housing and Urban Development</i>			
<i>Pass through programs from</i>			
Office of Community Delevopment	14 235	\$ 145,058	\$ -
ARRA-Office of Community Development*	14 262	105,473	-
Office of Community Delevopment Block Grant Section 108 Loan Guarantees	14 248	<u>260,603</u>	<u>-</u>
<i>Subtotal Department of Housing and Urban Development</i>		<u>511,134</u>	<u>-</u>
Louisiana Department of Health and Hospitals	662394FY10	-	322,354
Louisiana Department of Social Services	HPRP Resolution 47984	-	<u>15,322</u>
Totals		<u>\$ 511,134</u>	<u>\$ 337,676</u>

* American Recovery and Reinvestment Act of 2009

SUPPLEMENTAL INFORMATION

OPTIONS FOUNDATION, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

1 **Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Options Foundation, Inc under programs of the federal government for the year ended June 30, 2011. 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*. Because the Schedule presents only a selected portion of the operations of Options Foundation, Inc it is not intended to and does not present the financial position, changes in net assets, or cash flows of Options Foundation, Inc.

2 **Summary of Significant Accounting Policies**

(a) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principals contained in OMB Circular A-122, *Cost Principals for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(b) Pass-through entity identifying numbers are presented where available.

3 **Insurance**

Options Foundation, Inc is in compliance with insurance requirements which specify that they will provide Worker's Compensation and Employers' Liability insurance covering all employees engaged in services in compliance with the laws of the State of Louisiana. Options Foundation is also in compliance with the requirement to have a minimum coverage of \$1,000,000 for general liability and automobile liability.

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

Board of Directors
Options Foundation, Inc
Baton Rouge, Louisiana

We have audited the financial statements of Options Foundation, Inc (a non-profit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Options Foundation, Inc's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Options Foundation, Inc's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weakness. We identified a deficiency in internal control over financial reporting described in the accompanying schedule of findings and questioned costs (finding 2011-1) that we consider to be a material weakness in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the material weakness identified above to also be a significant deficiency.

The organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the organization's response and, accordingly, we express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Options Foundation, Inc's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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*.

We noted certain other matters that we reported to management of Options Foundation, Inc in a separate management letter dated December 14, 2011

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, the Legislative Auditor, 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 Under Louisiana Revised Statute 24.513, this report is distributed by the Legislative Auditor as a public document

Sincerely,



Ehrlich & Associates, LLC
December 14, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Options Foundation, Inc
Baton Rouge, Louisiana

Compliance

We have audited Options Foundation, Inc 's (a non-profit organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Options Foundation, 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 Options Foundation Inc 's management. Our responsibility is to express an opinion on Options Foundation Inc 's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, 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 we 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 Options Foundation, Inc 's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Options Foundation, Inc 's compliance with those requirements.

In our opinion, Options Foundation, Inc complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Options Foundation, Inc is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Options Foundation, Inc 's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Options Foundation, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Options Foundation, Inc.'s response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of Board of Directors, management, others within the organization, the Legislative Auditor, 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Sincerely,



Ehrlich & Associates, LLC

December 14, 2011

OPTIONS FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

We have audited the financial statements of Options Foundation, Inc , as of June 30, 2011, and for the year then ended, and have issued our report thereon dated December 14, 2011. 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 and the provisions of OMB Circular A-133. Our audit of the financial statements as of June 30, 2011 resulted in an unqualified opinion.

Summary of Auditor's Reports

a Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Significant Deficiencies Yes No

Compliance

Compliance Material to Financial Statements Yes No

b Federal Awards

Internal Control

Material Weaknesses Yes No Significant Deficiencies Yes No

Type of Opinion On Compliance Unqualified Qualified

For Major Programs Disclaimer Adverse

Are their findings required to be reported in accordance with Circular A-133, Section 510(a) Yes No

Was a management letter issued? Yes No

c Identification of Programs tested as Major Programs (no program exceeded \$300,000)

<u>CFDA Number (s)</u>	<u>Name of Federal Program (or Cluster)</u>
14 235	Supportive Housing Program
14 262	ARRA-Homeless Prevention and Rapid Re-Entry Program
14 248	Block Grant Section 108 Loan Guarantees

Dollar threshold used to distinguish between Type A and Type B Programs \$ 300,000

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-33? Yes No

Finding – Financial Statement Audit

Finding 2011-1

Observation

Recently, Options Foundation, Inc hired a new Executive Director who has the qualifications and training to read and understand financial statements. The Executive Director is qualified to determine if the statements are adequately prepared in accordance with generally accepted accounting principles (GAAP) and is qualified in recording the entity's financial transactions. In past years, the Organization has relied more heavily on its external auditors to assist in adjusting the books and to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, the auditors cannot be considered part of the Organization's internal control structure, and because of limitations of the Organization's staff, the design of the internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements. As a result of these matters which occurred in prior years, Options Foundation has failed to submit the required data collection forms to the OMB as a result of not being aware of this requirement.

Recommendations

We suggest that the Executive Director should, in addition to having qualifications to read and understand financial statements, become more familiar with the A-133 reporting requirements and the responsibilities of management when federal funds are involved. This might be accomplished through increased coordination between the external auditors and the Executive Director.

Management's corrective action plan

Options Foundation, Inc has evaluated the cost vs benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the Organization to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation. This review will also include coordination with the auditors to become aware of all of management's responsibilities including the federal A-133 reporting requirements.

Questioned Costs

There are no questioned costs for the year ended June 30, 2011.

OPTIONS FOUNDATION, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

Summary of Prior Audit Findings

Finding 2010-1

Observation

Options Foundation, Inc does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes. The Organization relies on its auditors to assist in adjusting the books and to assist in the preparation of external financial statements and related disclosures. Under U S generally accepted auditing standards, the auditors cannot be considered part of the Organization's internal control structure, and because of limitations of the Organization's staff, the design of the internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Status

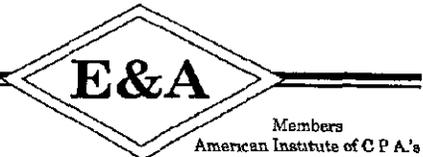
As stated in finding 2011-1, Options Foundation, Inc hired a new Executive Director. The Executive Director is qualified to read and understand financial statements and can determine if the statements are properly prepared in accordance with generally accepted accounting principles (GAAP) and is qualified in recording financial transactions. Options Foundation, Inc has evaluated the cost vs benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the Organization to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation. The review will also consist of coordination with the external auditors to comply with federal A-133 reporting requirements.

Summary of Prior Management Letter Comments

- 1 Options Foundation, Inc is no longer relying on the related parties to support the operations
- 2 Options Foundation, Inc has implemented procedures to track disbursements from the resident fund account
- 3 Options Foundation, Inc has developed a budgeting process to assist in the monitoring of programs
- 4 Options Foundation, Inc has supplemented the agendas for the board meetings with summaries of the discussions and the decisions reached
- 5 Options Foundation, Inc has outsourced the payroll function and has also developed procedures to monitor payroll compliance matters

Ehricht & Associates, LLC

CERTIFIED PUBLIC ACCOUNTANTS



E&A

Members
American Institute of C P A.'s
Louisiana Society of C P A.'s

December 14, 2011

To the Management and
Board of Directors of
Options Foundation, Inc

In planning and performing our audit of the financial statements of Options Foundation for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated December 14, 2011 on the financial statements of Options Foundation, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Computerized Accounting System

The company's books are maintained very well utilizing Peachtree Accounting Software. Back-ups were maintained for the data. However, the program disks for the software have been misplaced and are not available. If there were a computer crash, even if the data could be restored, the data could not be restored without a copy of the program to restore the data to. Contact should be initiated with Peachtree Accounting in order to get replacement program disks. These disks and copies of back-up data should also be maintained at a remote secure location.

The computer software has the capability to maintain data for prior years. When attempting to access a prior specific "period", the software will not allow the operator to access anything further back than one year prior to the current year. In order to access information which is older, a person needs to select the option labeled "Specific date" as opposed to a "period". Management has indicated a preference for another computerized accounting system. Careful consideration should be made to determine that a new system is preferable to the old system. Preferably a new system should have as much security and control as the old system and provide better access to data than the old system. Maintaining the records and being able to access records for prior years, if a change is made to a new system, remains vital. Management should also exercise extreme caution when transitioning from one accounting system to another. Dual systems can be maintained until it is determined that the new system is operating effectively.

Annual Audit

The annual audit is required by the Louisiana Legislative Auditor and the Office of Management and Budget (OMB), when certain levels of grants and awards are received. The auditor must be **Independent**. In order for the auditor to remain independent, the auditor's fee for the prior year must be paid before the auditor can be engaged for the current year. The Louisiana Legislative auditor requires that the audit be submitted no later than six months after the end of the audit year. The due date for Options Foundation, Inc is December 31 of each year. The fee for the prior auditor was not paid timely and there was a disagreement regarding the fee and as a result the current audit engagement approval was delayed until September 13, 2011. In the future, any fee dispute should be resolved immediately and the auditor should be engaged as soon as possible. The auditor can be engaged before the end of the year as long as there is no fee issue. The earlier the auditor is engaged, the more efficient the audit process becomes and can provide a greater benefit to Options.

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



Ehricht & Associates, LLC
Baton Rouge, LA
December 14, 2011



March 9, 2012

John Ehricht
Ehricht & Associates
P O. Box 14214
Baton Rouge, LA 70898

Dear John:

In response to your Management Letter dated December 14, 2011, we offer the following:

- We are in the process of ordering the disks from the manufacturer for our computer software.
- Management has elected not to change accounting software at this time
- Management reserves the right to dispute unreasonable audit fees. Hopefully, this will not be a problem in the future.

Thanks for your suggestions. If you have any questions, please do not hesitate to call me.

Sincerely,

A handwritten signature in black ink, appearing to read "Brent A. Nettles".

Brent A. Nettles
Executive Director

544 NORTH FOSTER
BATON ROUGE, LA 70806

225 388 5045
FAX 225 929 9843