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CENTERPOINT COMMUNITY SERVICES

SHREVEPORT, LOUISIANA

SEPTEMBER 30, 2011

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 APR 18 2012

CENTERPOINT COMMUNITY SERVICES

SHREVEPORT, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE 318-429-2070 FAX

March 20, 2012

Board of Directors
Centerpoint Community Services
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying statement of financial position of Centerpoint Community Services (a not-for-profit organization) as of September 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 Centerpoint Community Services' 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 Centerpoint Community Services as of September 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 March 20, 2012, on our consideration of Centerpoint Community Services' 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 the 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 basic financial statements of Centerpoint Community Services taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Heard, McElroy & Vestal, LLC

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CENTERPOINT COMMUNITY SERVICES

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2011

ASSETS

<u>Current assets:</u>	
Cash	27,935
Grants receivable	155,966
Other receivables	<u>13,410</u>
Total current assets	197,311
<u>Assets limited as to use</u>	515
<u>Property and equipment:</u>	
Land	175,000
Building and improvements	436,958
Furniture, equipment and vehicles	90,126
Less-accumulated depreciation	<u>(169,194)</u>
Property and equipment, net	<u>532,890</u>
Total assets	<u>730,716</u>

LIABILITIES AND NET ASSETS

<u>Current liabilities:</u>	
Accounts payable and accrued liabilities	5,304
Funds held for clients	515
Deposits	3,500
Line of credit	200,000
Current portion of mortgage debt payable	<u>13,455</u>
Total current liabilities	222,774
<u>Long-term liabilities.</u>	
Mortgage debt payable, less current portion	<u>383,666</u>
Total liabilities	606,440
<u>Net assets.</u>	
Unrestricted	<u>124,276</u>
Total liabilities and net assets	<u>730,716</u>

The notes to financial statements are an integral part of these statements

CENTERPOINT COMMUNITY SERVICES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Unrestricted</u>
<u>Revenue from operations:</u>	
Government grants and fees	1,299,640
Other revenue	<u>213,858</u>
Total revenue from operations	1,513,498
<u>Expenses:</u>	
Program services:	
Homeless Prevention and Rapid Re-housing	850,169
Pathways Centerpoint	86,286
Project Intranet	63,582
Other community services	<u>284,813</u>
Total program services	1,284,850
Support services:	
Administration	<u>139,032</u>
Total support services	<u>139,032</u>
Total expenses	<u>1,423,882</u>
<u>Change in net assets</u>	89,616
<u>Net assets, beginning of the year</u>	<u>34,660</u>
<u>Net assets, end of the year</u>	<u>124,276</u>

The notes to financial statements are an integral part of these statements

CENTERPOINT COMMUNITY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Program Services</u>				<u>Other Community Services</u>	<u>Total Program Services</u>	<u>Support Services</u>	
	<u>Homeless Prevention and Rapid Re-Housing</u>	<u>Pathways Centerpoint</u>	<u>Project Intranet</u>	<u>Administration</u>			<u>Administration</u>	<u>Total</u>
Salaries, contract services, and benefits	244,881	57,989	33,363	126,677	462,910	7,706	470,616	
Accounting and professional services	52,293	3,368	302	58,253	114,216	-	114,216	
Office supplies	23,469	5,141	2,902	1,167	32,679	-	32,679	
Client needs	526,413	7,253	-	75,169	608,835	-	608,835	
Telephone and utilities	-	6,549	7,171	9,068	22,788	19,607	42,395	
Equipment maintenance and repairs	-	-	312	835	1,147	24,231	25,378	
Other	<u>3,113</u>	<u>5,986</u>	<u>19,532</u>	<u>13,644</u>	<u>42,275</u>	<u>58,452</u>	<u>100,727</u>	
Total expenses before depreciation	850,169	86,286	63,582	284,813	1,284,850	109,996	1,394,846	
Depreciation	-	-	-	-	-	29,036	29,036	
Total expenses	<u>850,169</u>	<u>86,286</u>	<u>63,582</u>	<u>284,813</u>	<u>1,284,850</u>	<u>139,032</u>	<u>1,423,882</u>	

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

CENTERPOINT COMMUNITY SERVICES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

<u>Cash flows from operating activities:</u>	
Change in net assets	89,616
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	29,036
Changes in assets and liabilities:	
Grants receivable	(57,970)
Other receivables	9,781
Accounts payable and accrued liabilities	<u>(35,443)</u>
Net cash provided by operating activities	35,020
<u>Cash flows from investing activities:</u>	
Purchases of equipment	<u>(92,250)</u>
Net cash (used) by investing activities	(92,250)
<u>Cash flows from financing activities:</u>	
Borrowings on line of credit, net	64,663
Payments on mortgage debt	<u>(14,930)</u>
Net cash provided by financing activities	<u>49,733</u>
<u>Net (decrease) in cash</u>	(7,497)
<u>Cash, beginning of year</u>	<u>35,432</u>
<u>Cash, end of year</u>	<u>27,935</u>
<u>Supplemental disclosure of cash flow information:</u>	
Cash paid for interest	<u>37,315</u>

The notes to financial statements are an integral part of these statements

CENTERPOINT COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

1. Organization and Summary of Significant Accounting Policies

Centerpoint Community Services ("Centerpoint"), formerly Shreveport SRO, Inc is a not-for-profit organization, incorporated in the State of Louisiana, providing services to eligible recipients within Northwest Louisiana.

The Organization receives the majority of the funding used to meet its program objectives under grants from the United States Department of Housing and Urban Development ("HUD"). Supportive Housing Program grants provide a comprehensive coordinated referral and delivery source to provide for or meet the immediate and long-term needs of homeless individuals and families

Centerpoint conducts its program services through a central referral and intake facility known as Centerpoint. Funding through the program titled Pathways serves as its primary program for client needs in an effort to deliver Case Management and Supportive Services that include transportation and child care expenses for persons who are experiencing homelessness. Centerpoint also receives funding from a HUD grant titled Project Intranet. This grant facilitates the Organization by providing its central resource intranet database as it serves as the region's central resources database for social services as well as client services tracking. In addition, Centerpoint provides homelessness prevention assistance to households which are at risk of otherwise becoming homeless and to provide assistance to rapidly re-house persons who are homeless through HUD program grants for Pathways and Homelessness Prevention and Rapid Re-housing.

Other Community Services included in program services include expenditures from the Organization's programs that are not associated with these HUD grants. These include expenses related to the various federal awards received from Department of Homeland Security, Emergency Shelter Grant Program and Community Development Block Grant awards passed through the Cities of Bossier City and Shreveport, as well as other grants from various organizations, foundations, and donors that support Centerpoint's other ancillary programs. Approximately 71% Centerpoint's revenues are derived from Federal program grants.

Summary of Significant Accounting Policies

The accounting policies of Centerpoint conform to generally accepted accounting principles as applicable to voluntary health and welfare organizations. The more significant accounting policies of Centerpoint are described below:

Basis of Accounting – Centerpoint prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred

Grants Receivable – Grant receivables are recorded at amounts billed and are deemed delinquent based on contractual terms. Approximately 68% of such receivables are due from the City of Shreveport under the Homeless Prevention and Rapid Re-housing grant

1. **Organization and Summary of Significant Accounting Policies** (Continued)

Account Classification – Revenue and expenditure information is maintained separately for each grant funded to the organization, as required by the various funding sources

Property and Equipment – Equipment purchased by Centerpoint is recorded at cost. Donations of property and equipment are recorded at their fair value at the date of the gift. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets ranging from five to forty years. Centerpoint capitalizes individual assets acquired greater than \$5,000.

Certain equipment acquired is owned by Centerpoint while used in the program for which it was purchased or in other future authorized programs. The funding sources, however, may have a reversionary interest in the equipment purchased with grant funds; therefore, its disposition, as well as the ownership of any sale proceeds there from, is subject to funding source regulations. These assets are shown as temporarily restricted net assets until granting agency restrictions are released.

Net Assets – Net assets, revenues, contributions, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets which are not subject to donor-imposed stipulations. Support restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Temporarily Restricted Net Assets – Net assets which are subject to donor-imposed stipulations which may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations requiring they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Centerpoint had no temporarily restricted or permanently restricted net assets at September 30, 2011.

Contributions – Contributions are included in other revenue and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by donors or grantors are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed Services – The Organization recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance nonfinancial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

1. Organization and Summary of Significant Accounting Policies (Continued)

Compensated Absences – Annual (vacation and personal) leave is earned by employees as follows:

<u>Length of Service</u>	<u>Annual Leave Earned</u>
From one to three years	Fourteen days
Over three years	Nineteen days

Generally, no more than five days of unused leave may be carried forward to the next fiscal year

Sick leave is earned at the rate of 2.5 days every six months, and may be carried forward to the next fiscal year

Federal Income Taxes – As a nonprofit, privately supported organization, Centerpoint Community Services is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code, but must file an annual return with the Internal Revenue Service that contains information on its financial operations. Centerpoint is required to review various tax positions it has taken with respect to its exempt status and determine whether in fact it continues to qualify as a tax-exempt entity. It must also consider whether it has nexus in jurisdictions in which it has income and whether a tax return is required in those jurisdictions. In addition, as a tax-exempt entity, it must assess whether it has any tax positions associated with unrelated business income subject to income tax. Centerpoint does not expect these tax positions to change significantly over the next twelve months. Any penalties related to late filing or other requirements would be recognized as penalties expense in the accounting records.

Centerpoint is required to file U. S. Federal Form 990s for informational purposes. The federal income tax returns for the tax years 2008 and beyond remain subject to examination by the Internal Revenue Service.

Statement of Cash Flows – For purposes of the statement of cash flows, Centerpoint defines cash as all financial instruments having an original maturity of ninety (90) days or less.

Concentration of Credit Risk – Cash consists of demand deposits at a commercial bank. These balances, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization can have exposure from time to time due to cash balances held in excess of the FDIC coverage. The bank in which the Organization's deposits may exceed the insured limit has a strong credit rating, and it is management's opinion that credit risk related to these deposits is minimal.

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

1. Organization and Summary of Significant Accounting Policies (Continued)

Promises to Give – Unconditional promises to give, if any, that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give, if any, that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

2. Borrowings

a. Line of credit

Centerpoint has an unsecured, variable line of credit with Chase Bank in the amount of \$200,000. The line bears interest at LIBOR (8.25% at September 30, 2011) and matures in June 2012. The unpaid balance on this credit line was \$200,000 at September 30, 2011.

b. Mortgage notes payable

Centerpoint has a fixed-interest mortgage note with Chase Bank in the original amount of \$362,079. Secured by a mortgage on its office building and land, the note bears interest at 6.10%, requires monthly payments of \$2,634, and matures in 2028. The unpaid balance at September 30, 2011 was \$324,953.

Centerpoint has another fixed-interest mortgage note with Chase Bank in the original amount of \$80,000. Secured by the same collateral as above, the note bears interest at 6.75%, requires monthly payments of \$712, and matures in 2014. The unpaid balance at September 30, 2011 was \$72,168.

Approximate maturities of all mortgage debt over the next five years and in the aggregate for the years ending September 30 are as follows:

2012	13,455
2013	16,792
2014	77,486
2015	14,357
2016	15,258
Thereafter	<u>259,773</u>
	<u>397,121</u>

Total interest expense amounted to \$37,315 and \$32,823 for 2011 and 2010, and is included in Administration expenses.

3. Lease Obligations

Centerpoint leases office equipment under operating leases expiring in fiscal years 2012 and 2013. The equipment lease expense for the year ending September 30, 2011, approximated \$13,000, and is included in other expense. Future minimum lease payments under equipment leases for the years ending September 30 and in the aggregate are as follows:

2012	14,939
2013	14,939
2014	7,469
2015	-
2016	-
Thereafter	<u>-</u>
	<u>37,347</u>

4. **Commitments and Contingencies**

Grants require the fulfillment of certain conditions as set forth in grant contracts. Failure to fulfill the conditions as set forth in the grant contracts could result in the return of grant funds to the grantor.

5. **Unrestricted Revenue and Expenses**

The Organization has obtained grants and contributions from foundations, local businesses and others to assist the Organization in meeting its cash match requirements and to continue to provide the level of service deemed necessary in the community. These various unrestricted sources are utilized at management's discretion for the purposes of the programs.

6. **Conditional Promises**

Conditional promises consist of the unfunded portions of approved governmental grants currently in effect. Future funding of such awards is conditioned upon the organization's operation of certain programs, incurrence of certain costs, and possibly meeting certain matching requirements. Because such awards represent conditional promises to Centerpoint, they have not been recognized in the financial statements. Such promises amounted to approximately \$55,000 at September 30, 2011.

7. **Subsequent Events**

Centerpoint is required to evaluate events or transactions that may occur after the balance sheet date for potential recognition or disclosure in the financial statements. Centerpoint performed such an evaluation through March 20, 2012, the date which the financial statements were available to be issued, and noted no such subsequent events.

SUPPLEMENTARY FINANCIAL INFORMATION

CENTERPOINT COMMUNITY SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
<u>U S Department of Housing and Urban Development</u>				
Supportive Housing Program-Pathways	14 235	125,200	84,512	84,512
Supportive Housing Program-Project Intranet	14.235	65,315	<u>65,315</u>	<u>65,315</u>
			149,827	149,827
Passed through the City of Shreveport:				
ARRA-Homeless Prevention and Rapid Re-housing	14.257	932,724	872,508	872,508
Emergency Shelter Grant	14.231	30,326	30,326	30,326
Passed through the City of Bossier City:				
Emergency Shelter Grant	14.231	18,101	18,101	18,101
Community Development Block Grant	14.218	4,879	<u>4,879</u>	<u>4,879</u>
			1,075,641	1,075,641
<u>U.S Department of Homeland Security</u>				
Emergency Food and Shelter	97.024		<u>1,637</u>	<u>1,637</u>
Total			<u>1,077,278</u>	<u>1,077,278</u>

CENTERPOINT COMMUNITY SERVICES

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Centerpoint Community Services and is presented on the accrual basis of accounting, which is the same basis of accounting used for the presentation of the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

Centerpoint Community Services did not pass through any of its federal awards to a subrecipient during the fiscal year, nor did it expend any federal awards in the form of noncash assistance.

OTHER REPORTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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March 20, 2012

Board of Directors
Centerpoint Community Services
Shreveport, Louisiana

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

We have audited the financial statements of Centerpoint Community Services as of and for the year ended September 30, 2011, and have issued our report thereon dated March 20, 2012. 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 Centerpoint'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 Centerpoint's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Centerpoint's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2011-01 to be a material weakness

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Centerpoint'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

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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 or other matters that are required to be reported under *Government Auditing Standards*.

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

Heard, McElroy & Vestal, LLC

HEARD, McELROY, & VESTAL

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March 20, 2012

Board of Directors
Centerpoint Community Services
Shreveport, Louisiana

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

Compliance

We have audited the compliance of Centerpoint Community Services with the types of compliance requirements described in the *U. S. Office of Management and Budget (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 September 30, 2011. Centerpoint's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Centerpoint's management. Our responsibility is to express an opinion on Centerpoint'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 Nonprofit 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 Centerpoint'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 on Centerpoint's compliance with those requirements.

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

Internal Control Over Compliance

The management of Centerpoint Community Services 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 Centerpoint's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order 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 A-133, 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 Centerpoint's internal control over compliance.

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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 internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance 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.

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

Heard, McElroy & Vestal, LLC

CENTERPOINT COMMUNITY SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Centerpoint Community Services
2. One deficiency in internal control relating to the audit of the basic financial statements is reported. It is a material weakness.
3. No instances of noncompliance were disclosed during the audit.
4. The auditor's report on compliance for major federal award programs of Centerpoint Community Services expresses an unqualified opinion
5. There are no audit findings relative to major federal award programs of Centerpoint Community Services.
6. The programs tested as major programs included:

<u>Program</u>	<u>CFDA No.</u>
Homeless Prevention and Rapid Re-housing-ARRA	14.257

7. The threshold for distinguishing Types A and B programs was \$300,000.
8. Centerpoint Community Services was determined to not be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

2011-01 - Control Finding

As is common in small operations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare Centerpoint's annual financial statements. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles have not been established, nor does management have the ability to perform these functions in-house. Under generally accepted auditing standards, this condition represents a control deficiency that is also considered to be a material weakness in internal controls. This condition is intentional and results from management balancing Centerpoint's financial complexity with the appropriate level of accounting expertise. It is not cost effective for Centerpoint to prepare its annual financial statements in-house.

Whether or not it would be cost effective to correct a control deficiency is not a factor in applying SAS 115 reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all deficiencies reported under SAS. In this case both management and the auditor do not believe that correcting the material weakness described above is cost effective or practical and, accordingly, do not believe that any corrective action is necessary.

CENTERPOINT COMMUNITY SERVICES
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

2010-01 Lack of expertise to prepare annual financial statements in-house – repeated.