

POSITIVE FORCES COUNSELING NETWORK, INC.

MONROE, LOUISIANA

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FINANCIAL STATEMENTS

AND ADDITIONAL INFORMATION

FOR THE YEAR ENDED

JUNE 30, 2011

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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 **FEB 22 2012**

POSITIVE FORCES COUNSELING NETWORK, INC.  
JUNE 30, 2011

CONTENTS

	<u>PAGE</u>
Independent Auditors' Report.....	1-2
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.....	3-4
FINANCIAL STATEMENTS:	
Statement of Financial Position.....	5
Statement of Activities.....	6
Statement of Functional Expenses.....	7
Statement of Cash Flows.....	8
Notes to Financial Statements.....	9-13
SUPPLEMENTARY FINANCIAL INFORMATION:	
Schedule I - Statement of Expenditures - By Contracts.....	14
Schedule II - Compensation to Board Members.....	15
Schedule III - Schedule of Findings and Responses.....	16-18
Schedule IV - Findings, Recommendations, and Corrective Actions - Prior Year.....	19-20

# JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.

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"The CPA Never Underestimate The Value"

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- Accounting & Auditing
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  - Non-Profit Organizations
  - Governmental Organizations
- Business & Financial Planning
- Tax Preparation & Planning
  - Individual & Partnership
  - Corporate & Fiduciary
- Bookkeeping & Payroll Services

December 13, 2011

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Positive Forces Counseling Network, Inc.  
Monroe, Louisiana

We have audited the accompanying statement of financial position of the Positive Forces Counseling Network, 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and *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 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 Positive Forces Counseling Network, 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Positive Forces Counseling Network, Inc. taken as a whole. The accompanying financial information listed as supplementary financial information in the table of contents for the year ended June 30, 2011, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2011 on our consideration of Positive Forces Counseling Network, Inc.'s internal control structure and its compliance with laws, regulations, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Johnston, Perry, Johnson & Associates, L.L.P.*

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

# JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.

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December 13, 2011

## 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

To the Board of Directors  
Positive Forces Counseling Network, Inc.  
Monroe, Louisiana

We have audited the financial statements of Positive Forces Counseling Network, Inc. as of and for the year ended June 30, 2011, and have issued our report thereon dated December 13, 2011. We conducted our audit in accordance with accounting standards generally accepted in the United States of America 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 Positive Forces Counseling Network, 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 Positive Forces Counseling Network, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Positive Forces Counseling Network, Inc.'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 the 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 internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting, noted as items 11-1, 11-2, and 11-3. 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.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Positive Forces Counseling Network, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

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

*Johnston, Perry, Johnson & Associates, L.L.P.*

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

POSITIVE FORCES COUNSELING NETWORK, INC.  
 STATEMENT OF FINANCIAL POSITION  
 JUNE 30, 2011

ASSETS

CURRENT ASSETS

Cash	36,787	
Receivables	71,837	
Rental Deposits	<u>2,700</u>	

<u>TOTAL CURRENT ASSETS</u>		111,324
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FIXED ASSETS

Equipment	150,103	
Less: Accumulated Depreciation	<u>(126,462)</u>	

<u>NET FIXED ASSETS</u>		<u>23,641</u>
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<u>TOTAL ASSETS</u>		<u>134,965</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	11,329	
Notes Payable - Banks	<u>35,000</u>	

<u>TOTAL CURRENT LIABILITIES</u>		46,329
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LONG-TERM DEBT

-0-

<u>TOTAL LIABILITIES</u>		46,329
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NET ASSETS

Unrestricted	<u>88,636</u>	
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<u>TOTAL NET ASSETS</u>		<u>88,636</u>
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<u>TOTAL LIABILITIES AND NET ASSETS</u>		<u>134,965</u>
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The accompanying notes are an integral part of these financial statements.

POSITIVE FORCES COUNSELING NETWORK, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011

UNRESTRICTED NET ASSETS

Support

Grants and Contracts  
Services

520,016

20,080

TOTAL SUPPORT

540,096

EXPENSES

Program Services - Mental Health  
Supporting Services  
Fund-Raising

477,595

96,468

-

TOTAL EXPENSES

574,063

INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS

( 33,967)

NET ASSETS AT BEGINNING OF YEAR

122,603

NET ASSETS AT END OF YEAR

88,636

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

- 6 -

JOHNSTON, PERRY, JOHNSON & ASSOCIATES L L P  
CERTIFIED PUBLIC ACCOUNTANTS

POSITIVE FORCES COUNSELING NETWORK, INC.  
 STATEMENT OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED JUNE 30, 2011

	Mental Health Counseling <u>Services</u>	General and <u>Administrative</u>	<u>Total</u>
Personal Services	323,146	48,850	371,996
Related Benefits	44,343	8,184	52,527
Travel and Training	2,652	264	2,916
Operating Services	91,092	27,378	118,470
Supplies	4,913	2,914	7,827
Professional Services	<u>-</u>	<u>6,857</u>	<u>6,857</u>
 Total Expenditures Before Depreciation	 466,146	 94,447	 560,593
 Depreciation	 <u>11,449</u>	 <u>2,021</u>	 <u>13,470</u>
 <u>TOTAL EXPENSES</u>	 <u>477,595</u>	 <u>96,468</u>	 <u>574,063</u>

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

POSITIVE FORCES COUNSELING NETWORK, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Increase (Decrease) in Net Assets	(33,967)
Adjustments to Reconcile Increase in Net Assets	
To Net Cash Provided (Used) by Operating Activities	
Depreciation	13,470
(Increase) Decrease in:	
Operating Assets - Receivables	(11,297)
Increase (Decrease) in:	
Operating Liabilities - Payables	<u>10,377</u>
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>(21,417)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
None	<u>-</u>
<u>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</u>	<u>-0-</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	
Fixed Assets Returned to Grantor	8,853
Loan Proceeds	10,000
Loan Payments - Principal	<u>(10,000)</u>
<u>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</u>	<u>8,853</u>
<u>NET INCREASE (DECREASE) IN CASH</u>	<u>(12,564)</u>
<u>BEGINNING CASH AND CASH EQUIVALENTS</u>	<u>49,351</u>
<u>ENDING CASH AND CASH EQUIVALENTS</u>	<u>36,787</u>
<u>SUPPLEMENTAL CASH BASIS DATA</u>	
Interest Paid	2,101
Income Taxes Paid	-0-

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

POSITIVE FORCES COUNSELING NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1 - Summary of Significant Accounting Policies:

A. Statement of Presentation:

The accompanying financial statements conform to generally accepted accounting principles for not-for-profit organizations.

B. Organization:

The Organization provides counseling services to families and individuals who need assistance with mental, emotional, behavioral relationships or spiritual problems in northeast Louisiana.

C. 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.

D. Cash and Cash Equivalents:

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

E. Budget Policy:

Budgets for various programs are prepared by the Organization and approved by grantor of the funds for each respective program. No budgets are prepared for the general fund.

F. Contributions:

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future

POSITIVE FORCES COUNSELING NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

NOTE 1 - Summary of Significant Accounting Policies: (Continued)

F. Contributions: (Continued)

periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

G. Cash in Bank:

All funds are in institutions insured by an agency of the Federal Government, the Federal Deposit Insurance Corporation.

H. Fixed Assets:

Fixed assets are depreciated over their estimated useful lives using the straight-line method. Fixed assets are capitalized for individual cost over \$1,000. Donated assets are valued at market value at date of contributions.

NOTE 2 - Funding Policies and Sources of Funds:

The Organization receives its monies through various methods of funding. Most of the funds are received on a grant basis from Louisiana Department of Health and Hospitals. The Organization also receives funds as a reimbursement of actual expenditures, and upon a per unit of service provided method. The Organization also receives funds by contributions from both public and private sources. If the Organization loses these funds, it will have an adverse effect on the corporation.

NOTE 3 - ACCOUNTS RECEIVABLE - GRANTS:

Accounts Receivable - Grants at June 30, 2011 generally consists of reimbursements from the Department of Health and Hospitals for expenditures incurred under the grant program.

POSITIVE FORCES COUNSELING NETWORK, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2011

NOTE 3 - ACCOUNTS RECEIVABLE - GRANTS: (Continued)

The reserve for bad debts is zero. Amounts are usually collected within 30 days of billing and management reviews accounts receivable monthly for bad debts.

NOTE 4 - BOARD OF DIRECTORS' COMPENSATION:

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

NOTE 5 - IN-KIND CONTRIBUTIONS:

The Organization received various in-kind contributions during the year from private and public sources. The value of donated volunteer services is not reflected in the accompanying financial statements since there is no objective basis available by which to measure the value of such services.

NOTE 6 - INCOME TAX STATUS:

The Organization applied as a nonprofit corporation and is exempt from federal income taxes under Section 501(C)(3) of the Internal Revenue Code.

NOTE 7 - CHANGES IN FIXED ASSETS:

A summary of changes in fixed assets recorded at cost follows:

	Balance <u>June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2011</u>
Furniture & Equipment	44,158	-	( 352)	43,806
Transportation Equipment	<u>158,962</u>	-	<u>(52,665)</u>	<u>106,297</u>
TOTAL	<u>203,120</u>	<u>-0-</u>	<u>(53,017)</u>	<u>150,103</u>

The State of Louisiana maintains a reversionary right against fixed assets in the event the Organization wishes to dispose of assets or ceases operations. During the fiscal year ended June 30, 2011, fixed assets with a book value of \$8,853 were returned to the State of Louisiana.

POSITIVE FORCES COUNSELING NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

NOTE 8 - CONTINGENT LIABILITIES:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

NOTE 9 - FAIR VALUES OF FINANCIAL INSTRUMENTS:

The Organization's financial instruments, none of which are held for trading purposes, include cash and a note payable. The Organization estimates that the fair value of all financial instruments at June 30, 2011 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

NOTE 10 - LEASE:

The Organization leases two buildings in Monroe, Louisiana for \$2,750 per month, both rented on a month-to-month basis. One of the leased buildings was returned to the landlord on July 1, 2011.

NOTE 11 - FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization has determined that fund-raising costs are not material.

NOTE 12 - RETIREMENT PLAN:

All employees are covered under the social security program. No other retirement plan is maintained.

POSITIVE FORCES COUNSELING NETWORK, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011

NOTE 13 - COMPENSATED ABSENCES:

The Organization's policy is to expense compensated absences in the period such leave is used. Amounts of accrued compensation at June 30, 2011 are not material.

NOTE 14 - ADVERTISING:

The Organization expenses advertising expense as incurred. Advertising costs during this year are not material.

NOTE 15 - NOTES PAYABLE:

The Organization has a \$50,000 line of credit at Regions Bank with a current balance due of \$35,000. The loan carries an interest rate of approximately 6% and is subject to annual renewal at the option of the bank. Interest paid during the year ended June 30, 2011 was \$2,101.

NOTE 16 - SUBSEQUENT EVENTS:

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through December 13, 2011, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosures in the notes to the financial statements.

NOTE 17 - UNCERTAIN TAX POSITIONS:

The Organization is subject to examination by various taxing authorities. Management has reviewed the Organization's activities and believes that no additional amounts or disclosures are needed, as the effect of any uncertain tax positions is not material to the financial statements. The tax returns for the years 2011, 2010, 2009, and 2008 are open for examination by various taxing authorities.

SUPPLEMENTARY FINANCIAL INFORMATION

POSITIVE FORCES COUNSELING NETWORK, INC.  
 SCHEDULE OF EXPENDITURES - BY CONTRACTS  
 JUNE 30, 2011

	CONTRACT <u>664258</u>	CONTRACT <u>695280</u>	CONTRACT <u>695278</u>
Personal Services	151,036	131,363	43,079
Related Benefits	18,438	19,047	6,858
Travel and Training	1,251	858	544
Operating Services	39,365	29,766	9,184
Supplies	848	1,217	3,602
Professional Services	2,000	2,000	1,500
Capital Assets	142	-	77
Administration	<u>22,665</u>	<u>21,038</u>	<u>13,518</u>
<u>TOTAL EXPENDITURES</u>	<u>235,745</u>	<u>205,289</u>	<u>78,362</u>

See accountants' report.

POSITIVE FORCES COUNSELING NETWORK, INC.  
COMPENSATION TO BOARD MEMBERS  
JUNE 30, 2011

No compensation was paid to any board member during the year under audit.

See accountants' report.

- 15 -

POSITIVE FORCES COUNSELING NETWORK, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2011

INTERNAL CONTROL FINDINGS

11-1

Finding:

As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the Organization's annual financial statements. This condition is intentional by management based upon the Organization's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. 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. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

Recently issued professional auditing standards require that we report the above condition as a control deficiency. The standards do not provide exceptions to reporting deficiencies that are adequately mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Criteria:

Proper internal controls under professional auditing standards require management to prepare the Organization's annual financial statements.

Effect:

This finding has no effect on the financial statements.

Cause:

It is not cost effective for the Organization to cure this control deficiency.

POSITIVE FORCES COUNSELING NETWORK, INC.  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
JUNE 30, 2011

INTERNAL CONTROL FINDINGS (Continued)

11-1 (Continued)

**Recommendation:** As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying the 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 the deficiencies an auditor reports under professional auditing standards. In this case, we do not believe that curing the significant deficiency described above would be cost effective or practical and, accordingly, do not believe any corrective action is necessary.

**Reply:** Management agrees with this finding.

11-2

**Finding:** Bank account reconciliations were timely prepared, but the reconciled bank balance was not compared to the general ledger amount. This resulted in the bank balance on the general ledger to be incorrect as some items were not recorded correctly in the general ledger.

**Criteria:** Proper internal controls require that the bank reconciliations be timely compared to the general ledger balances and any adjustments be timely recorded.

**Effect:** This finding caused the monthly interim financial statements to be incorrect.

**Cause:** Monthly bank reconciliations were not timely compared to the detail general ledger balance.

**Recommendation:** We recommend that each bank account's monthly reconciliation be compared to the general ledger and adjustments be posted to ensure amounts agree.

POSITIVE FORCES COUNSELING NETWORK, INC.  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
JUNE 30, 2011

INTERNAL CONTROL FINDINGS (Continued)

11-2 (Continued)

Reply: Management agrees with this finding and has started to implement the recommendation.

11-3

Finding: We noted a few payroll checks were not reported on the payroll tax report filed by the Organization.

Criteria: Proper internal controls and IRS rules require that all payroll tax reports reflect wages paid during each period.

Effect: The finding resulted in the Organization filing incorrect quarterly payroll reports and underpaying payroll taxes.

Cause: The Organization had a change in the personnel doing the payroll reports and the new person did not pickup payroll checks written on the general fund.

Recommendation: We recommend that the payroll reports be reviewed by another person who reconciles amounts in the general ledger to the payroll reports. We also recommend that amended payroll reports be filed to show all wages paid.

Reply: Management will appoint personnel to review payroll reports and ensure that they agree to the general ledger. The 2011 payroll reports are being amended to show all wages paid.

COMPLIANCE FINDINGS

None

POSITIVE FORCES COUNSELING NETWORK, INC.  
FINDINGS, RECOMMENDATIONS AND CORRECTIVE ACTION - PRIOR YEAR  
JUNE 30, 2011

INTERNAL CONTROL FINDINGS

10-1

**Finding:** As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the Organization's annual financial statements. This condition is intentional by management based upon the Organization's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. 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. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

**Status:** Uncleared.

10-2

**Finding:** Bank account reconciliations were timely prepared, but the reconciled bank balance was not compared to the general ledger amount. This resulted in the bank balance on the general ledger to be incorrect as some items were not recorded correctly in the general ledger.

**Criteria:** Uncleared.

POSITIVE FORCES COUNSELING NETWORK, INC.  
FINDINGS, RECOMMENDATIONS AND CORRECTIVE ACTION - PRIOR YEAR  
(CONTINUED)  
JUNE 30, 2011

INTERNAL CONTROL FINDINGS (Continued)

10-3

Finding: We noted the Organization keeps its general fund on a hand set of books while other funds are on a computer system. The hand set of books is not timely combined with the computer books for financial statement preparation.

Status: Cleared.

COMPLIANCE FINDINGS

There were no prior year compliance findings.