4158

YMCA of Central Louisiana

Alexandria, Louisiana

December 31, 2007

YMCA of Central Louisiana

December 31, 2007

Table of Contents

PM◈H

PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

Independent Auditor's Report

To Steve Alexander,
Chief Executive Officer of the
YMCA of Central Louisiana

We were engaged to audit the accompanying statement of financial position of the YMCA of Central Louisiana (a nonprofit organization) as of December 31, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the YMCA's management.

Management refused to furnish written representations regarding the financial statements and financial records as of December 31, 2007 and for the year then ended.

Accounting information for the year ended December 31, 2007 is not available to provide for a proper allocation of functional expenses. During the year ended December 31, 2007, the YMCA of Central Louisiana incurred operating expenses totaling $1,124,101 for the aquatics, childcare, and membership program services and the management and general and fundraising support services. Such amounts are not set forth separately in the accompanying Statement of Activities as required by accounting principles generally accepted in the United States of America. Also, a Statement of Functional Expenses for the year ended December 31, 2007 has not been presented. Generally accepted accounting principles require that such a statement be presented.

During the year ended December 31, 2007 the YMCA of Central Louisiana incurred $17,688 in Sam's credit card charges, $604 in Chevron credit card charges, and $5,649 in payroll expenses for which there was no accounting documentation to support the propriety of the expenses.

Since we did not receive written management representations, accounting information for proper allocation of functional expenses, or supporting documentation to sustain the propriety of certain credit card charges and payroll expenses, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

Certified Public Accountants

Payne, Moore & Herrington, LLP

June 30, 2008

Marvin A. Juneau, C.P.A. Robert W. Dvorak, C.P.A. James H. Ballard, C.P.A.
Ernest F. Sasser, C.P.A. Rebecca B. Morris, C.P.A. Cindy L. Humphries, C.P.A.
Robert L. Litton, C.P.A. Michael A. Juneau, C.P.A.

H. Fred Randow, C.P.A.

1419 Metro Drive • P.O. Box 13200 • Alexandria, LA 71315-3200

Ph: (318) 443-1893 • Fax: (318) 443-2515

YMCA of Central Louisiana
Statement of Financial Position
December 31, 2007

Exhibit A

Assets	
Current Assets	
Cash and cash equivalents	$ 47,683
Accounts receivable	9,440
Prepaid expenses	53,304
Total Current Assets	110,427
Investments	100,485
Property, Plant and Equipment Net of Accumulated Depreciation	262,317
Other Asset	246,891
Total Assets	$ 720,120
Liabilities and Net Assets	
Current Liabilities	
Notes payable	$ 43,178
Accounts payable	19,923
Other accrued expenses	612
Deferred revenue	19,992
Total Current Liabilities	83,705
Long-Term Liabilities	
Notes payable	151,310
Total Long-Term Liabilities	151,310
Net Assets	
Unrestricted	158,881
Temporarily restricted	276,224
Permanently restricted	50,000
Total Net Assets	485,105
Total Liabilities and Net Assets	$ 720,120

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

YMCA of Central Louisiana
Statement of Activities
Year Ended December 31, 2007

Exhibit B

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Support and Revenue				
Public Support				
Contributions	$ 61,028	$	$	$ 61,028
United Way	33,235			33,235
Grants and fees				
State of Louisiana	24,872			24,872
Other corporations	10,884			10,884
Total Public Support	130,019	-	-	130,019
Revenue				
Membership fees	783,946			783,946
Program service fees	139,807			139,807
Sale of merchandise	5,745			5,745
Investment income	6,434			6,434
Net realized and unrealized gain (loss) on investments	1,107			1,107
Other revenue	8,874			8,874
Total Revenue	945,913	-	-	945,913
Net assets released from restrictions	34,334	(34,334)		-
Total Operating Support and Revenue	1,110,266	(34,334)	-	1,075,932
Operating Expenses				
Salaries and wages	483,611			483,611
Employee health, retirement, and other benefits	72,893			72,893
Payroll taxes and workers' compensation	50,594			50,594
Contract services and professional fees	30,329			30,329
Bank fees	8,707			8,707
Supplies	53,270			53,270
Telephone and cable	16,369			16,369
Postage and shipping	2,082			2,082
Occupancy	177,165			177,165
Repairs and maintenance	44,379			44,379
Printing, publications, and promotions	5,999			5,999
Travel and transportation	12,824			12,824
Conferences, meetings, and certifications	5,420			5,420
Membership dues	21,342			21,342
Insurance	45,925			45,925
Depreciation	76,333			76,333
Interest	14,276			14,276
Miscellaneous	2,583			2,583
Total Operating Expenses	1,124,101	-	-	1,124,101
Change in Net Assets	(13,835)	(34,334)	-	(48,169)
Net Assets, Beginning of Year	172,716	310,558	50,000	533,274
Net Assets, End of Year	$ 158,881	$ 276,224	$ 50,000	$ 485,105

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

YMCA of Central Louisiana
Statement of Cash Flows
Year Ended December 31, 2007

Exhibit C

Cash Flows From Operating Activities		
Change in net assets	$	(48,169)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		76,333
Realized and unrealized (gain) loss on investments		(1,107)
Changes in operating assets and liabilities:		
Accounts receivable		(492)
Prepaid expenses		(1,015)
Other asset		29,334
Accounts payable		1,802
Deferred revenue		2,834
Accrued expenses		(2,178)
Cash Provided by Operating Activities		57,342
Cash Flows From Investing Activities		
Investment earnings reinvested		(5,747)
Purchase of investments		(22,437)
Cash paid for purchase of property, plant and equipment		(18,394)
Cash Used for Investing Activities		(46,578)
Cash Flows From Financing Activities		
Proceeds from long-term debt		43,116
Principal payments on long-term debt		(60,714)
Cash Used for Financing Activities		(17,598)
Net Decrease in Cash		(6,834)
Cash and Cash Equivalents at Beginning of Year		54,517
Cash and Cash Equivalents at End of Year	$	47,683

Additional Required Disclosures:

1. Management considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.
2. Interest paid during the year ended December 31, 2007, totaled $14,276.
3. There were no income taxes paid during the year ended December 31, 2007.
4. There were no material noncash investing transactions during the year ended December 31, 2007, that affected recognized assets or liabilities.

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

Notes to Financial Statements

1. Nature of Activities and Significant Accounting Policies

Nature of Activities

The YMCA of Central Louisiana (YMCA) is a nonprofit organization dedicated to building strong kids, strong families, and strong communities. The YMCA's programs are designed to promote values of caring, honesty, respect, and responsibility, and its mission is to put Christian principles into practice through programs that build a healthy mind, body, and spirit for all. Subject to available resources, no person is denied participation in a YMCA program solely by reason of financial inability to pay.

The YMCA provides childcare, aquatics programs, and health enhancement programs to residents of the Central Louisiana area. The YMCA derives its revenues from membership fees, program service fees, grants, contributions, and miscellaneous sources.

Basis of Accounting

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

Basis of Presentation

The YMCA prepares its financial statements in accordance with the following Statements of the Financial Accounting Standards Board (SFAS): Statement No. 116, *Accounting for Contributions Received and Contributions Made*; Statement No. 117, *Financial Statements of Not-for-Profit Organizations*; and Statement No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations.*

The YMCA reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, non-interest bearing checking accounts and an interest bearing savings account.

Accounts Receivable

Accounts receivable are charged to expense when they become uncollectible. In the opinion of management, all accounts receivable at December 31, 2007, were collectible and an allowance for doubtful accounts was not considered necessary.

Prepaid Expenses

Prepaid expenses include insurance premiums paid prior to year-end for coverage included in the next year and facility lease payments made in a prior year for occupancy in the next year.

Notes to Financial Statements

Investments

Investments include an investment in the net assets of Central LA Community Foundation (CLCF) and a money market account at Edward Jones. The CLCF represents an irrevocable transfer of cash for investment management for the benefit of the YMCA's future development of fixed assets. The CLCF is recorded at its fair value and the money market is recorded at cost, which approximates market value.

Property, Plant, and Equipment

Purchased property and equipment in excess of $2,000 is recorded at acquisition cost; donated property and equipment is recorded at its fair value as of the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Repairs, maintenance, and minor replacements are charged to operations as incurred. Major replacements and improvements are capitalized at cost.

Other Asset

Other asset includes facility lease payments made in a prior year for occupancy in the years 2009 through 2017.

Deferred Revenue

Deferred revenue consists of membership fees and grants received for future periods.

Public Support and Revenue

All contributions, grants and fees are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future 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. Contributions, grants, and fees received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Endowment contributions and investments are permanently restricted by the donor. The YMCA currently has one endowment fund, which was established from a $50,000 gift to provide support for the YMCA's long-term future development of fixed assets and is included in the investment in net assets of Central LA Community Foundation. Investment earnings available for use in operations are recorded in unrestricted net assets.

Revenue from YMCA membership fees is recognized ratably over the life of the membership. Any cash amounts received in advance are deferred until earned. Revenue from YMCA program fees is recognized over the duration of the offered programs.

Functional Expenses

The costs of providing the various programs and other activities of the YMCA have been summarized on a functional basis in the statements of functional expenses. Expenses are charged directly to program or support services based on specific identification. Indirect expenses have been allocated based on salary expenditures. For the year ended December 31, 2007, the chart of accounts was not set up properly for the allocation of functional expenses and current management was not able to provide such information.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 reporting period. Actual results could differ from those estimates.

Income Tax Status

The YMCA qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and comparable Louisiana law. The YMCA is not classified as a private foundation and contributions to the YMCA are considered tax deductible.

Advertising Costs

Advertising costs are expensed when incurred. Advertising costs charged to expense for the year ended December 31, 2007 totaled $5,999.

2. Cash

Cash on hand	$	775
Checking and savings accounts		46,908
	$	47,683

3. Accounts Receivable

Accounts receivable at December 31, 2007, consisted of the following:

Utility reimbursement	$	3,220
Contributions		5,000
Program services		450
Grants		770
	$	9,440

Notes to Financial Statements

4. Prepaid Expenses

As of December 31, 2007, prepaid expenses consisted of the following:

Insurance	$	23,970
Occupancy		29,334
	$	53,304

5. Investments

Net Assets of Central Louisiana Community Foundation

On March 16, 2001, the YMCA transferred $58,327 in cash to the Central Louisiana Community Foundation. The Central Louisiana Community Foundation created the YMCA of Central Louisiana Building Fund for investment for the long-term growth and future development of YMCA fixed assets. All assets and income of this Building Fund may be distributed at any time upon written request of the YMCA, but solely for support of the purposes of the Fund and must be at least $1,000. The assets comprising the Fund are the property of the Central Louisiana Community Foundation, and the Foundation has the ultimate authority and control of all property in the Fund and the income derived from there for the charitable purposes of the YMCA. The Foundation also charges the Fund an annual management fee based on their published fee schedule. The investment in the net assets of Central Louisiana Community Foundation is presented in the financial statements at fair value of $77,295 at December 31, 2007. Investment earnings on the fund totaled $5,437 and unrealized gains totaled $1,107 for the year ended December 31, 2007.

Edward Jones Money Market

On March 31, 2007, the YMCA transferred $22,437 in cash to Edward Jones Investments into a money market account. The amount transferred was the excess cash in the Initiation Dues savings account. The investment is presented in the financial statements at cost, which approximates market, of $23,190 at December 31, 2007. Investment earnings on the account totaled $753 for the year ended December 31, 2007.

6. Property, Plant and Equipment

The following schedule summarizes estimated useful life, cost, and accumulated depreciation of property, plant, and equipment as of December 31, 2007:

	Life		
Land		$	41,000
Building and improvements	31.5 – 10 Years		1,041,916
Vehicles, furniture and equipment	10 – 4 Years		470,375
			1,553,291
Less: Accumulated depreciation			(1,290,974)
		$	262,317

Depreciation expense was $76,333 for the year ended December 31, 2007.

7. Notes Payable

A summary of notes payable at December 31, 2007 is as follows:

Description	Balance December 31, 2007
Cananwill, Inc., insurance premium financing dated July 1, 2007 for $43,116 at 9.11% per annum payable in 11 monthly payments of $4,200.	$ 23,962
Capital One Bank, promissory note dated April 5, 2006 that was issued to refinance the Capital One promissory note dated May 23, 2002 that had a balloon payment of $157,567 due. Under the note dated April 5, 2006, the loan amount issued was $167,561 at 6.96% per annum in 120 monthly payments of $1,954 and secured by depository accounts at the bank.	147,115
Capital One Bank, promissory note dated September 5, 2006 for $29,650 at 8.40% per annum payable in 60 equal monthly payments of $611 and secured by the 2002 Chevrolet Blue Bird 47 Passenger School Bus.	23,411
	$ 194,488

During the year ended December 31, 2007, the following changes occurred in notes payable:

	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007
Notes payable	$ 212,086	$ 43,116	$ 60,714	$ 194,488

Annual requirements to maturity for the above notes payable, including interest of $50,722, are as follows:

Year Ending December 31,	Principal	Interest	Total
2008	$ 43,178	$ 11,564	$ 54,742
2009	20,684	10,098	30,782
2010	22,263	8,518	30,781
2011	22,118	6,832	28,950
2012	18,008	5,444	23,452
2013-2016	68,237	8,266	76,503
	$ 194,488	$ 50,722	$ 245,210

8. Line of Credit

The YMCA has a line of credit that allows for borrowings of up to $50,000 and incurs interest at the Index Rate plus 1% per annum. The line is secured by real property located at 1831 Turner Street, Alexandria, Louisiana. As of December 31, 2007, there were no outstanding borrowings under the line.

9. Permanently Restricted Net Assets

Net assets totaling $50,000 were permanently restricted for long-term future development of fixed assets at December 31, 2007.

10. Temporarily Restricted Net Assets

Net assets totaling $34,334 were released from temporary restrictions during the year ended December 31, 2007, for occupancy and pool renovations.

Temporarily restricted net assets were available for the following purposes as of December 31, 2007:

Occupancy	$ 276,224

11. Operating Leases

The YMCA leases one facility under an operating lease agreement which expires on June 17, 2017, with an option to renew for an additional ten (10) years. Rent expense for the year ended December 31, 2007, totaled $29,334.

The future minimum lease payments are as follows:

Year	Amount
2008	$ 29,334
2009	29,334
2010	29,334
2011	29,334
2012	29,334
2013-2017	129,554
	$ 276,224

In March 2006, the YMCA entered into two operating lease agreements for exercise equipment for a thirty-six (36) month term. Excluding applicable taxes, the minimum monthly lease payments are $797. The lease expense for the year ended December 31, 2007, totaled $9,564.

The future minimum lease payments are as follows:

Year		Amount
2008	$	9,564
2009		1,594
	$	11,158

12. Retirement Plan

The YMCA participates in a defined contribution, individual account, money purchase retirement plan, which is administered by the Young Men's Christian Association Retirement Fund (Retirement Fund) (a separate corporation). This plan is for the benefit of all eligible staff of the YMCA who qualify under applicable participation requirements.

In accordance with the agreement with the Retirement Fund, contributions required by the YMCA are a percentage of the participating employee's salary (7% for 2007) and are to be remitted to the Retirement Fund monthly. Total YMCA contributions charged to retirement expense were $20,308.

The Retirement Fund is operated as a church pension plan and is a not-for-profit, tax-exempt New York state corporation (1922). Participation is available to all duty organized or reorganized YMCAs in the United States. As a defined contribution plan, the Retirement Fund has no unfunded benefit obligations.

13. Significant Concentrations of Credit Risk

The YMCA has a checking and a savings account at the same financial institution. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000 per bank. As of December 31, 2007, the YMCA had no balances that exceeded federally insured limits.

14. Conflict of Interest and Related Party Transaction

During the year ended December 31, 2007, the Chief Financial Officer of the YMCA of Central Louisiana, who was appointed to interim Chief Executive Officer (interim CEO) effective August 1, 2007, employed her two sons at the YMCA of Central Louisiana. The total salary paid for the year ended December 31, 2007, for these two employees totaled $6,850. This transaction violates the YMCA of Central Louisiana conflict of interest policy.

15. Subsequent Event

In June 2008, the Board of Directors of the YMCA of Central Louisiana disbanded. The current management of YMCA of Central Louisiana is in the process of forming a new board of directors.

16. Potential Illegal Act

Effective June 23, 2007 the Chief Executive Officer (CEO) of the YMCA of Central Louisiana resigned and an interim CEO was appointed by the board of directors of the organization effective August 1, 2007. On March 1, 2008 a new CEO was hired and the interim CEO was terminated. Upon the new CEO's review of the organizations expenses, he discovered possible personal credit card charges made by the former interim CEO on the YMCA of Central Louisiana's account totaling $4,500 and dating from January 2007 through February 2008. All evidence of such charges was turned over to detectives of the Alexandria City Police Department.

Also, upon termination of employment of the interim CEO, she paid herself $5,770 for 25 days of accrued vacation which was not approved by the board of directors. Upon consultation of the board with the organization's attorney, the board can pursue this as a civil matter possibly for only 10 days of the total 25 accrued vacation days pursuant to the organization's approved personnel policy.

As discussed at Note 15, the Board of Directors of the YMCA of Central Louisiana disbanded in June 2008; therefore, the pursuit of these matters is unknown at present time.

PM&H

PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

To Steve Alexander,
Chief Executive Officer of the
YMCA of Central Louisiana

In planning and performing our audit of the financial statements of the YMCA of Central Louisiana as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the YMCA of Central Louisiana'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 the YMCA of Central Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the YMCA of Central Louisiana's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Receipted Copy of Deposit Slips and Timely Cash Deposits

In our review of the cash receipts subsequent to year end, we noted that duplicate deposit slips are being prepared but many do not include a bank receipt. Also, deposits are being made once a week or whenever large amounts of cash are received.

We recommend that the authenticated copy of the deposit receipt from the bank accompany the duplicate deposit slips. These deposit slips should be compared periodically with the daily cash reports by an employee who has no access to cash. Also, receipts should be deposited intact daily.

Marvin A. Juneau, C.P.A. · Robert W. Dvorak, C.P.A. · James H. Ballard, C.P.A.
Ernest F. Sasser, C.P.A. · Rebecca B. Morris, C.P.A. · Cindy L. Humphries, C.P.A.
Robert L. Litton, C.P.A. · Michael A. Juneau, C.P.A.
H. Fred Rainbow, C.P.A.

1419 Metro Drive • P.O. Box 13200 • Alexandria, LA 71315-3200
PH: (318) 443-1893 • FAX: (318) 443-2515

PM&H

PAYNE, MOORE & HERRINGTON, LLP

Numerical Sequence of Payroll Direct Deposit Transactions

During our audit, we noted that payroll direct deposit transactions are not always written in numerical sequence.

We recommend that payroll direct deposit transactions be issued in numerical sequence.

Dual Signatures on Cash Disbursements

In reviewing canceled checks, we noted that two checks cleared the bank account with only one signature. The YMCA of Central Louisiana's internal control policies and procedures require dual signatures on all cash disbursements.

We recommend strict adherence to the policies and procedures of the YMCA of Central Louisiana.

Old Accounts Receivable

The YMCA of Central Louisiana's accounts receivable at December 31, 2007 includes $3,220 for a utility reimbursement that has been on the books since 2005.

We recommend that a monthly or other regular schedule of accounts receivable be prepared and reviewed for unusual items and monitoring of overdue balances.

Deferred Income

No reports were available to ensure an accurate deferral of income related to membership fees.

We recommend that a report be developed from membership records to ensure that membership fees that are received for future periods are properly recorded as deferred revenue.

Accuracy of Bank Reconciliations

While testing the accuracy of the December 31, 2007 operating account bank reconciliation, we noted deposits in transit from August 2007 and a group of outstanding checks listed as one amount with a description of "Checks still in transit".

We recommend that management establish a formal, written policy concerning outstanding checks and deposits in transit. Such a policy should specify aging milestones with required actions. These items should be investigated for proper disposition.

Late Payment of Cash Disbursements

During the audit, we noted that numerous invoices were paid late resulting in additional late charges.

We recommend that cash disbursements be paid timely to avoid penalty and interest charges for late payment. Management should also utilize monthly budgets as a tool to manage and control spending to ensure that cash flows are adequate to meet obligations incurred.

Lack of Approval of Transactions involving Key Employees

During the year ended December 31, 2007, the Chief Financial Officer of the YMCA of Central Louisiana, who was appointed as interim Chief Executive Officer effective August 1, 2007, employed her two sons at the YMCA of Central Louisiana. The total salary paid for the year ended December 31, 2007 for these two employees totaled $6,850. There was no documentation that the board of directors approved these transactions, which violate the YMCA of Central Louisiana conflict of interest policy.

To prevent the occurrence of improper transactions, we recommend formal written board approval of transactions with key employees.

Segregation of Duties over Cash Receipts

Our review of the YMCA of Central Louisiana's procedures for cash receipts indicates that there is a lack of control in the depositing and recording of cash receipts. The personnel making deposits also has access to the member accounts.

We recommend that the person who prepares the bank deposit be an employee who has no access to member accounts. Daily deposits should also be reconciled to amounts posted to member accounts, including those accounts paid through automatic drafts or credit cards.

PAYNE, MOORE & HERRINGTON, LLP

Recording Accrued Vacation

A vacation accrual should be made for any earned and unpaid vacation due to employees at year end. The YMCA of Central Louisiana does not maintain the detailed records necessary to calculate accrued vacation.

We recommend the maintenance of a detail analysis of vacation earned and used for eligible employees in order to record the liability at year end.

Recording Net Assets

Generally accepted accounting principles require that the YMCA of Central Louisiana report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Accounting records are not maintained according to those requirements. Information was obtained during the audit to provide for proper reporting.

We recommend that the general ledger chart of accounts be updated and monthly financial activity be reported properly as required by generally accepted accounting principles.

Recording Credit Card Expenses

For the year ended December 31, 2007, we noted that the Sam's credit card statements do not disclose the general ledger account coding for expense allocation purposes. Also, although the Visa credit card statements were coded for general ledger expense allocation, such account coding could not be traced to the detail transactions postings in the general ledger.

We recommend that all invoices include the account number to ensure that the payment is charged to the correct account when the payment is being reviewed and approved. These codings should be used when processing the invoice in the general ledger to provide for an accurate audit trail.

Availability of Board and Board Committee Meeting Minutes

Upon commencement of the audit we encountered difficulties in obtaining minutes of board and board committee meetings. The copies of minutes of the board of directors and the executive committee obtained for our review were not signed by the presiding officer.

We recommend that the YMCA of Central Louisiana assign an individual the responsibility of documenting in written minutes each meeting of the board and board committees. All such minutes should be formally approved at the subsequent board meeting and appropriately signed as an indication of approval and then placed in a minute book as documentation of the board's governance throughout the year.

Use of Excel Spreadsheets

During the year ended December 31, 2007, the YMCA was very dependent on Excel spreadsheets to manage the business. General ledger information was accumulated on Excel spreadsheets and sent to the outside accounting firm for processing rather than utilizing the membership software data to print the necessary reports. Additionally, financial statement information was presented to the board of directors from spreadsheets prepared by the Chief Financial Officer/interim Chief Executive Officer rather than presenting the compiled financial statements prepared by the outside accounting firm. Such redundant processing increases the risk of inadvertent errors.

We recommend that the YMCA of Central Louisiana needs to significantly reduce the use of Excel spreadsheets and utilize the membership software for cash receipts reporting and the externally prepared financial statements for presentation to the board of directors.

Development of a Policies and Procedures Manual

The YMCA of Central Louisiana does not have written policies and procedures.

We believe that considerable improvement and standardization of policies and procedures would result from the preparation of a policies and procedures manual for the organization and insistence on adherence to them. Such development and use of this manual would provide a benefit for all employees, in that, objectives, responsibilities, and authority would be clearly defined. Also, the preparation and maintenance of written standard procedures is very useful to establish consistent company practices.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

Payroll Disbursements and Personnel Files

As part of our test of payroll disbursements, we examined all related supporting documentation for twenty-five (25) haphazardly selected payroll disbursements. Of the twenty-five (25) examined, eight disbursements were paid at a rate different than the authorized pay rate in the employee file; three employee files contained no evidence of an authorized pay rate; two employee files contained incomplete I-9's; one employee file contained invalid information on the I-9 form; two employee files contained no form L-4's; one employee's direct deposit form was not signed by the employee; one employee's direct deposit form was not completed; one employee's direct deposit form evidenced account information different from the actual account used in the direct deposit; two employees' time cards, after recalculation, did not match the amount approved for payment; two direct deposit batch summary reports could not be located for verification of the bank account information; and one employee did not use a time card but a handwritten piece of paper.

To ensure adequate controls over payroll, we recommend that individual employee personnel files contain the following data:

- Signed and dated application of employment
- Form I-9 Employment Eligibility Verification
- Date of hire
- Approved pay rate (updated as changes occur).
- Signed forms W-4 and L-4.
- Insurance and other benefits election forms.
- Beneficiary designation form.
- Employee's current address and phone number.
- Next of kin's or other emergency contact's name, address, and current daytime phone number.
- Employee evaluations.
- Benefit election forms for terminated or retired employees.
- Signed and completed direct deposit forms.

PAYNE, MOORE & HERRINGTON, LLP

Time cards or appropriate time sheets should be completed by all employees as evidence of time worked. Also, the YMCA of Central Louisiana should maintain records for all payrolls processed.

Property and Equipment

During the year ended December 31, 2007, there was no physical inventory of property and equipment. Also, the YMCA of Central Louisiana did not maintain a record of property and equipment transactions for the year.

We recommend that periodic physical counts of property be taken and compared to the detailed fixed asset list. Affixing identifying tags with numbers as assigned in the subsidiary ledger will aid in making this comparison. The added controls will do the following:

- Assist in planning for capital expenditures.
- Help determine accurate amounts and values of insurable assets.
- Help detect the loss or unauthorized use of valuable company property.

We also recommend that a record of property and equipment additions and deletions be maintained throughout the year. The records should include a description of the asset acquired or disposed of, serial number, date of transaction, dollar amount paid or received, and name of vendor or purchaser.

Chart of Accounts

The chart of accounts allows for the allocation of financial transactions to the branch locations, but not for the allocation of costs to the functional expenses as required to be reported in the financial statements under generally accepted accounting principles.

We recommend that the chart of accounts be updated and expenses be coded to the appropriate functional expenses to ensure accurate cost allocations.

PM◈H

PAYNE, MOORE & HERRINGTON, LLP

Lack of Supporting Documentation for Cash Disbursements

In performing our tests of cash disbursements, we noted $17,688 in Sam's credit card charges, $604 in Chevron credit card charges, $5,649 in payroll expenses, $2,050 to the Lifeguard Store, Inc., and $16,642 in employee benefits expense for which there was no accounting documentation to support the propriety of the expenses.

We also noted a payment for fuel charges for the interim Chief Executive Officer. This employee received a monthly car allowance for mileage as part of her salary.

Numerous receipts as supporting documentation for meals and food items showed no indication of the business purpose for the expense.

To decrease fraud risk factors and to ensure propriety of credit card charges and other expenses, we recommend that detailed supporting documentation be maintained to support the business use of all credit card charges and other expenses. Also payroll expenses should be reconciled to the general ledger on a monthly basis and any differences be investigated immediately.

Segregation of Duties over Cash Disbursements

In reviewing procedures and controls related to cash disbursements functions, we noted that, upon the Chief Executive Officer's resignation on June 23, 2007, the Chief Financial Officer, who later became interim Chief Executive Officer, approves disbursements, signs checks, receives and reviews unopened bank statements and cancelled checks, and reviews bank reconciliations. This condition could provide an opportunity for misappropriation of funds and concealment of such activity.

We recommend that someone other than the Chief Executive Officer receive and review unopened bank statements and cancelled checks and review invoices and automatic bank drafts approved for payment to mitigate fraud risk factors and to provide a supervisory control that can help prevent or detect improper or unauthorized disbursements.

PAYNE, MOORE & HERRINGTON, LLP

Segregation of Duties over Payroll Disbursements

Our review of the YMCA of Central Louisiana's payroll system, during the year ended December 31, 2007, disclosed that one person provides the payroll information for the outside accounting firm to prepare, reviews the final payroll report prior to processing, and actually processes the payroll direct deposits.

We recommend that the payroll direct deposits be processed by someone who is not directly connected with the accumulation and final approval of payroll data to improve internal controls and to reduce the risk that an error or irregularity could occur and go undetected.

Reconciliation of Accounts Payable

The general ledger account balance for accounts payable did not agree to the subsidiary ledger as of December 31, 2007. The difference of $26,439 related to duplicate recording of invoices in July 2007 and was adjusted accordingly during the audit.

We recommend the general ledger control accounts be reconciled to the subsidiary ledgers on a monthly basis.

Opportunity for Management Override of Controls

Due to the lack of segregation of duties relating to the Chief Executive Officer's position and lack of proper internal control policies and procedures during the year ended December 31, 2007, there is a potential for management override of certain financial data with the absence of other mitigating controls.

To mitigate management override of controls, we recommend that the YMCA of Central Louisiana review current control activities and implement effective policies and procedures, including developing a process to assess whether controls are operating as intended, to take corrective action for deficiencies noted, and to modify controls as appropriate for changed conditions.

PM·H

PAYNE, MOORE & HERRINGTON, LLP

Consideration of Fraud Risks

The opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and inadequate controls to prevent or detect the fraud. Effective June 23, 2007 the Chief Executive Officer (CEO) of the YMCA of Central Louisiana resigned and an interim CEO was appointed by the board of directors of the organization effective August 1, 2007. On March 1, 2008 a new CEO was hired and the interim CEO was terminated. Upon the new CEO's review of the organizations expenses, he discovered possible personal credit card charges made by the former interim CEO on the YMCA of Central Louisiana's account totaling $4,500 and dating from January 2007 through February 2008. All evidence of such charges was turned over to detectives of the Alexandria City Police Department.

To address this risk, we recommend that the YMCA of Central Louisiana perform a risk assessment to identify, analyze, and manage the risk of misappropriation. Once areas vulnerable to fraud have been identified, a review of the YMCA of Central Louisiana's systems, procedures, and existing controls relating to the identified areas should be conducted. The YMCA of Central Louisiana should consider what additional controls need to be implemented to reduce the risk of fraud.

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

Payne, Moore & Herrington, LLP

Certified Public Accountants

June 30, 2008

Receipted Copy of Deposit Slips and Timely Cash Deposits
Since March 1, 2008 there has been a management policy in place that requires deposits of cash receipts be made every Monday, Wednesday and Friday. An additional deposit is required on Tuesday and Thursday if cash received on Monday or Wednesday exceeds $1,500.

At the time the above policy was put in place an additional policy was put in place that requires authenticated receipt of deposit be stapled to the duplicate deposit slips. Deposit slips are randomly selected one to two times a month for verification of adherence to the above policies.

Having an additional employee periodically compare deposits would be difficult to put into place at this time. With the addition of outside part-time bookkeeper this will be accomplished, however that person will not be in place until the first of next year.

Numerical Sequence of Payroll Direct Deposit Transaction
A meeting was held with the outside accounting firm responsible for payroll direct deposit and as of July 18, 2008 payroll transaction are now in numerical sequence.

Dual Signatures on Cash Disbursements
Current policy is strictly enforced that requires dual signatures. Also, a meeting was held with the YMCA account manager from the bank informing him of this requirement and the bank required to notify senior management of any checks presented without dual signatures.

Old Accounts Receivable
The organization responsible for the $3,220 receivable has been contacted numerous times and was given until August 31, 2008 to response or the matter will be turned over to our legal representatives for collection. As with all monthly financial statements the receivable is reviewed at each meeting of the new board of directors.

Deferred Income
This policy will need to be in place once we have our own bookkeeper on staff. It is also difficult to do with our current software and especially more so with a small YMCA such as this one.

Accuracy of Bank Reconciliations
I have recommended a new policy be put in place that all checks, including payroll, be voided after 90 days from date of issue. Checks will be printed with "void after 90 days" thus if the bank cashes such check it is the banks responsibility. Once again a meeting with our account manager will be scheduled once the new policy is approved by the new board of directors.

There should never be a deposit in transit except for those made at the end of the month and recorded by the bank the first of the following month.

Late Payment of Cash Disbursements
I am unsure if the late payments were a result of a lack of funds or just a lack of attention on the part of the person responsible for insuring payments. Obviously this is something every organization wishes to avoid and with timely review of payables this will be corrected.

A budget for the remainder of 2008 has been created and is being used at this time. I can not respond as to the lack of a budget for 2007.

Lack of Approval of Transaction involving Key Employees
Both the new Personnel Policy and Conflict of Interest Policy clearly states that employees cannot have direct supervision of any family member thus preventing this from occurring in the future. Also, all new hires must first be approved in advance by the CEO to insure compliance with policies.

Segregation of Duties over Cash Receipts
Currently we are unable to accomplish the recommendation because of our software and the small number of staff. As mentioned previously we believe this issue will be resolved once we have a third party doing the in house bookkeeping.

Recording Accrued Vacation
I have met with the accounting firm responsible for payroll and it is now being recorded. It should be noted that until the new policy is in place employees start the year with the total number of days allowed meaning they could take all of their vacation after the first of the year. Vacation hours starting in 2009 are earned each pay period and will be recorded on the employees pay record as to the total hours earned and total hours used for each pay.

For 2008 there will be no year end liability since it is the policy of the YMCA that all vacation must be taken prior to year's end. Starting in 2009 only 40 hours a year may be carried over at year's end even if the employee has more hours.

Recording Net Assets
Net assets are currently being recorded in the matter that was recommended.

Recording Credit Card Expenses
Visa credit cards have been cancelled as of March 2008. Sam's statements are reconciled with the receipts for each purchase. All receipts are coded with account numbers and signed by the employee making the purchase. Failure to submit a signed and coded receipt for a purchase will require the employee to be held responsible for the payment not the YMCA, and this policy is strictly enforced.

Availability of Board and Board Committee Meeting Minutes
The CEO assumes the responsibility of securing and maintaining minutes of board and committee meetings. It is the responsibility of the Board Secretary and Committee Chairs to insure that minutes are taken and recorded and once approved are signed and

given to the CEO for placement in either the board minute book or the appropriate committee book.

Use of Excel Spreadsheets
As of March 1, 2008 all 2008 financial statements are prepared using the software purchased for this purpose and given to the outside accounting firm. No excel spreadsheets are used and the board receives only those reports prepared b the accounting firm.

Development of a Policies and Procedures Manual
With reorganization of the Board of Directors and staff several policies dealing with the organizational management will need to be written and approved and as recommended a manual of all written policies will be created.

Payroll Disbursement and Personnel Files
Personnel files of current employee are being reviewed by management to insure compliance with the recommendation. New hires are required to complete a new hire worksheet and cannot be placed on active status nor placed on payroll until this form is signed off by management. No hourly employee is paid without a timesheet or time card.

Property and Equipment
Following receipt of the management letter staff was instructed to complete an inventory for each facility and record the condition of each piece of equipment.

Chart of Accounts
A new chart of accounts is currently being tested with the outside accounting firm.

Lack of Supporting Documentation for Cash Disbursement
As mentioned previously all credit cards, except for Sam's, have been cancelled. No cash disbursement is made without a signed receipt or vendor invoice. Employee benefits fall into one of two items, health care or retirement and files are maintained for each per employee.

In order to receive payment for utilizing personal cars employees are first required to have travel approved and then submit a mileage reimbursement form in order to receive payment.

The YMCA no longer provides meals except for rare occasions and the CEO must approve the expense.

Payroll expenses are reconciled to the general ledger each month.

Segregation of Duties over Cash Disbursements
Because of the situation with the reorganization of the board the current CEO is still doing all of the items stated. The new board will hold their first meeting on September 4, 2008 at which time a finance committee will be created and assume this responsibility.

Currently the previous CVO and treasurer reviews all financial statements created by the outside accounting firm as well as the bank reconciliations.

Segregation of Duties over Payroll Disbursements
The CEO is responsible for transmitting the payroll information to the accounting firm and reviews the final report for approval but no longer processes the payroll for direct deposits. Also, the person mentioned above reviews payroll reports for each pay period.

Reconciliation of Accounts Payable
The YMCA will implement this recommendation.

Opportunity for Management Override of Controls
Once again we believe that once the new finance committee and in house bookkeeper are in place this will not be an issue. As with all policy and procedures this will be reviewed and upgraded, as needed each year.

Consideration of Fraud Risks
As a result of the finding of the auditing firm the board has been completely reorganized and the new board is addressing this very issue. The CEO is responsible for submitting his recommendation for changes needed to be made to the financial controls of the organization for approval by the new board.