KINGSLEY HOUSE, INC.

Financial Statements as of June 30, 2012 and 2011
and for the Years Then Ended
and Independent Auditors' Report
and Supplementary Information
June 30, 2012 and 2011

KINGSLEY HOUSE, INC.

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Silva Gurtner & Abney

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Kingsley House, Inc.
New Orleans, Louisiana

We have audited the accompanying statement of financial position of Kingsley House, Inc., a Louisiana not-for-profit corporation, (the Organization) as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements and supplementary information are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative financial information has been derived from the Organization's 2011 financial statements, which were audited by other auditors whose report dated November 22, 2011, expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; and the standards for 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 audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position Kingsley House, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the years 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 a report dated December 14, 2012 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 read in conjunction with this report in considering the results of our audit.

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Our audit was conducted for the purpose of forming an opinion on the financial statements of the Organization as a whole. The accompanying Schedule of Support, Revenues and Expenses in Accordance with United Way Requirements are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the basic financial statements and, accordingly, we express no opinion on it. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Silva Gurtner & Abney, LLC

December 14, 2012

KINGSLEY HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2012 WITH COMPARATIVE TOTAL FOR 2011

	Unrestricted	Temporarily Restricted	Permamently Restricted	2012	2011
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 94,852	$ -	$ -	$ 94,852	$ 95,778
Investments	1,399,525	-	-	1,399,525	1,454,167
Due to (from)	7,233	(21,653)	14,420	-	-
Promises to give	-	379,543	-	379,543	517,293
Accounts receivable					
Government contracts	530,461	-	-	530,461	391,588
Other	259,311	(3,900)	-	255,411	195,959
Prepaid expenses	99,372	-	-	99,372	128,858
Total current assets	2,390,754	353,990	14,420	2,759,164	2,783,643
NON-CURRENT ASSETS					
Cash held for acquisition of property and donor restricted purposes	-	4,053	-	4,053	30,632
Long-term investments	-	-	214,190	214,190	212,699
Property, plant and equipment	916,714	3,960,383	-	4,877,097	5,087,997
Total non-current assets	916,714	3,964,436	214,190	5,095,340	5,331,328
TOTAL ASSETS	**$ 3,307,468**	**$ 4,318,426**	**$ 228,610**	**$ 7,854,504**	**$ 8,114,971**
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	$ 424,172	$ 52	$ -	$ 424,224	$ 309,939
Line of credit	300,000	-	-	300,000	160,000
Total current liabilities	724,172	52	-	724,224	469,939
TOTAL LIABILITIES	724,172	52	-	724,224	469,939
NET ASSETS					
Unrestricted					
Undesignated	1,289,151	-	-	1,289,151	1,521,293
Board designated	1,294,145	-	-	1,294,145	1,426,267
Total Unrestricted	2,583,296	-	-	2,583,296	2,947,560
Temporarily restricted	-	4,318,374	-	4,318,374	4,470,354
Permanently restricted	-	-	228,610	228,610	227,118
TOTAL NET ASSETS	2,583,296	4,318,374	228,610	7,130,280	7,645,032
TOTAL LIABILITIES AND NET ASSETS	**$ 3,307,468**	**$ 4,318,426**	**$ 228,610**	**$ 7,854,504**	**$ 8,114,971**

KINGSLEY HOUSE, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Federal and state contracts	$ 5,543,127	$ 167,261	$ -	$ 5,710,388
Foundation and corporate contracts	769,770	(53,457)	-	716,313
United Way	58,647	-	-	58,647
United Way funding for next year	-	379,543	-	379,543
Contributions	399,180	174,136	-	573,316
Investment income	26,492	-	3,592	30,084
Program fees	202,051	2,240	-	204,291
Other income	141,658	588	-	142,246
Transfers	2,100	-	(2,100)	-
Net assets released from restrictions				
United Way	517,293	(517,293)	-	-
Restrictions satisfied by payments	304,998	(304,998)	-	-
TOTAL REVENUES AND OTHER SUPPORT	7,965,316	(151,980)	1,492	7,814,828
EXPENSES				
Program services				
Pre-school day care	2,538,684	-	-	2,538,684
Early Head Start	1,315,640	-	-	1,315,640
Family Life Services	861,183	-	-	861,183
Adult day health care	748,986	-	-	748,986
School age day care/youth	376,539	-	-	376,539
Resettlement and Recovery Services	380,596	-	-	380,596
Community and Supportive Services	295,995	-	-	295,995
Participants Meal Program	331,046	-	-	331,046
Health Care for All	27,689	-	-	27,689
Resource Center	-	-	-	-
Smart View	-	-	-	-
Supporting services				
Management and General	1,319,742	-	-	1,319,742
Fundraising	133,480	-	-	133,480
TOTAL EXPENSES	8,329,580	-	-	8,329,580
CHANGES IN NET ASSETS	**(364,264)**	**(151,980)**	**1,492**	**(514,752)**
NET ASSETS - Beginning of year	2,947,560	4,470,354	227,118	7,645,032
NET ASSETS - End of year	**$ 2,583,296**	**$ 4,318,374**	**$ 228,610**	**$ 7,130,280**

See accompanying independent auditors' report and notes to financial statements.

KINGSLEY HOUSE, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Federal and state contracts	$ 4,523,062	$ 18,354	$ -	$ 4,541,416
Foundation and corporate contracts	1,007,072	-	-	1,007,072
United Way	74,434	(97,216)	-	(22,782)
United Way funding for next year	-	517,293	-	517,293
Contributions	315,907	93,025	-	408,932
Investment income	269,971	-	35,152	305,123
Program fees	123,273	-	-	123,273
Other income	91,465	224	-	91,689
Transfers	1,722	-	(1,722)	-
Net assets released from restrictions				
United Way	551,109	(551,109)	-	-
Restrictions satisfied by payments	277,926	(277,926)	-	-
TOTAL REVENUES AND OTHER SUPPORT	7,235,941	(297,355)	33,430	6,972,016
EXPENSES				
Program services				
Pre-school day care	1,540,928	-	-	1,540,928
Early Head Start	1,482,674	-	-	1,482,674
Family Life Services	738,766	-	-	738,766
Adult day health care	728,967	-	-	728,967
School age day care/youth	427,650	-	-	427,650
Resettlement and Recovery Services	374,071	-	-	374,071
Community and Supportive Services	341,495	-	-	341,495
Participants Meal Program	278,709	-	-	278,709
Health Care for All	156,151	-	-	156,151
Resource Center	47,929	-	-	47,929
Smart View	23,458	-	-	23,458
Supporting services				
Management and General	990,568	-	-	990,568
Fundraising	94,651	-	-	94,651
TOTAL EXPENSES	7,226,017	-	-	7,226,017
CHANGES IN NET ASSETS	**9,924**	**(297,355)**	**33,430**	**(254,001)**
NET ASSETS - Beginning of year	2,937,636	4,767,709	193,688	7,899,033
NET ASSETS - End of year	**$ 2,947,560**	**$ 4,470,354**	**$ 227,118**	**$ 7,645,032**

See accompanying independent auditors' report and notes to financial statements.

KINGSLEY HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	Program Services												Supporting Services		
	Pre-School Day Care	School Age Day Care	Adult Day Health Care	Family Life Services	Resource Center	Healthcare for All	Early Head Start	Resettlement & Recovery Services	Community & Supportive Services	Smart View	Participant Meals Program	Total Program Services	General and Administrative	Fundraising	Total
Personnel	$ 1,280,883	$ 195,649	$ 436,096	$ 481,208	-	$ 10,912	$ 890,830	$ 208,011	$ 190,567	-	$ 50,014	$ 3,744,170	$ 650,937	$ 74,442	$ 4,469,549
Employee benefits															
Health insurance	135,065	8,872	38,940	54,985	-	1,963	102,297	23,278	20,179	-	10,477	396,056	66,006	5,497	467,559
Retirement	28,394	1,435	14,269	7,164	-	198	26,188	5,992	5,171	-	1,316	90,127	18,388	2,566	111,081
Other	8,744	545	2,655	5,972	-	79	6,327	(1,440)	1,296	-	379	24,557	3,499	557	28,613
Payroll taxes	100,901	16,740	34,496	38,452	-	850	69,151	15,571	14,833	-	4,492	295,486	48,574	5,660	349,720
Total personnel and related expenses	1,553,987	223,241	526,456	587,781	-	14,002	1,094,793	251,412	232,046	-	66,678	4,550,396	787,404	88,722	5,426,522
Conferences, conventions and meetings	943	-	922	862	-	-	429	679	159	-	-	3,994	8,710	100	12,804
Food	4,036	603	2,807	855	-	-	27	1,095	278	-	247,053	256,754	2,575	113	259,442
General insurance	54,761	6,428	15,239	9,588	-	50	32,211	10,809	5,538	-	3,717	138,341	18,517	2,131	158,989
Membership dues	6,628	350	1,354	1,103	-	-	2,030	1,701	502	-	-	13,668	2,194	413	16,275
Occupancy															
Utilities	38,708	11,437	18,226	8,279	-	1,176	27,155	4,963	2,879	-	-	112,823	16,209	1,054	130,086
Rent	34,078	9	71	10,867	-	14	148	35,549	40	-	-	80,776	6,238	5	87,019
Repair and maintenance	134,120	11,079	14,277	9,593	-	1,677	27,092	6,604	4,560	-	1,956	210,958	211,698	2,022	424,678
Waste pick-up	6,105	1,265	1,933	378	-	412	2,071	391	224	-	1,023	13,802	661	62	14,525
Security	7,700	7,151	186	(156)	-	44	1,066	455	74	-	-	16,520	1,691	1,146	19,357
Building insurance	29,326	2,102	7,805	7,333	-	150	21,416	3,632	3,942	-	-	75,706	9,590	526	85,822
Professional services	25,148	9,580	9,702	38,508	-	65	7,667	1,770	6,399	-	-	98,839	60,777	20,119	179,735
Office expense	484,951	19,837	28,887	25,361	-	762	48,695	32,499	27,492	-	10,551	679,035	81,739	14,737	775,511
Information technology	13,189	2,492	1,997	5,359	-	675	4,179	8,186	5,483	-	-	41,560	16,192	580	58,332
Travel	8,049	968	59,682	44,884	-	39	7,908	18,145	6,134	-	68	145,877	11,129	68	157,074
Specific assistance to individuals	4,457	-	-	-	-	-	883	1,000	175	-	-	6,515	-	-	6,515
Field trips	6,598	4,351	1,309	-	-	-	336	-	-	-	-	12,594	-	-	12,594
Bad debt	-	-	-	90,853	-	-	-	-	-	-	-	90,853	-	-	90,853
Other expenses	12,994	6	923	4,238	-	225	3,479	38	70	-	-	21,973	2,456	1,219	25,648
Total expense before depreciation	2,425,778	300,899	691,776	845,686	-	19,291	1,281,585	378,928	295,995	-	331,046	6,570,984	1,237,780	133,017	7,941,781
Depreciation	112,906	75,640	57,210	15,497	-	8,398	34,055	1,668	-	-	-	305,374	81,962	463	387,799
	$ 2,538,684	$ 376,539	$ 748,986	$ 861,183	$ -	$ 27,689	$ 1,315,640	$ 380,596	$ 295,995	$ -	$ 331,046	$ 6,876,358	$ 1,319,742	$ 133,480	$ 8,329,580

See accompanying independent auditors' report and notes to financial statements.

KINGSLEY HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	Program Services												Supporting Services		
	Pre-School Day Care	School Age Day Care	Adult Day Health Care	Family Life Services	Resource Center	Healthcare for All	Early Head Start	Resettlement & Recovery Services	Community & Supportive Services	Smart View	Participant Meals Program	Total Program Services	General and Administrative	Fundraising	Total
Personnel	$ 853,134	$ 221,462	$ 437,024	$ 475,919	$ 28,928	$ 91,387	$ 978,653	$ 227,073	$ 239,281	$ 18,582	$ 59,935	$ 3,631,378	$ 553,458	$ 55,005	$ 4,239,841
Employee benefits												-			
Health insurance	86,694	14,556	43,386	50,598	3,742	13,939	112,685	31,444	17,219	-	13,265	387,528	49,530	4,074	441,132
Retirement	20,522	2,238	14,693	6,380	1,000	3,157	25,436	6,525	5,669	-	1,409	87,029	17,112	1,715	105,856
Other	5,902	644	2,771	3,200	218	648	7,183	1,670	1,788	-	472	24,496	3,569	390	28,455
Payroll taxes	66,967	18,818	34,085	36,878	2,241	6,498	74,275	18,071	18,853	1,693	5,690	284,069	39,691	4,265	328,025
Total personnel and related expenses	1,033,219	257,718	531,959	572,975	36,129	115,629	1,198,232	284,783	282,810	20,275	80,771	4,414,500	663,360	65,449	5,143,309
Conferences, conventions and meetings	8,018	-	1,860	1,858	87	-	7,435	799	763	-	-	20,820	2,571	595	23,986
Food	1,673	1,360	2,065	134	-	82	976	460	213	-	174,256	181,219	4,276	-	185,495
General insurance	35,779	8,618	15,459	11,574	758	2,852	28,139	6,840	5,923	258	6,159	122,359	15,063	1,424	138,846
Membership dues	3,903	404	1,173	1,296	23	-	3,724	2,390	663	-	-	13,576	2,908	302	16,786
Occupancy												-			
Utilities	29,552	19,573	21,019	7,829	450	3,427	26,178	4,733	2,636	89	-	115,486	23,786	552	139,824
Rent	2,746	-	-	6,854	1,305	-	-	24,600	-	-	-	35,505	-	-	35,505
Repair and maintenance	42,450	14,342	14,691	10,093	984	4,086	25,610	6,919	2,152	593	6,285	128,205	40,306	1,625	170,136
Waste pick-up	4,958	1,055	1,493	432	-	374	2,670	211	172	-	2,036	13,401	1,088	42	14,531
Security	9,047	10,112	3,182	3,121	240	995	6,861	1,918	422	-	-	35,898	5,569	3,021	44,488
Building insurance	20,109	1,587	6,209	4,979	397	1,782	12,796	2,837	2,976	-	-	53,672	7,241	397	61,310
Professional services	14,451	7,199	7,336	32,802	70	5,447	9,616	6,103	11,510	199	264	94,997	44,723	6,307	146,027
Office expense	190,257	19,181	24,136	23,794	1,464	5,867	100,718	19,353	20,985	918	8,830	415,503	69,763	10,253	495,519
Information technology	10,757	2,398	2,580	8,451	105	3,671	7,916	3,483	3,579	740	-	43,680	17,100	1,045	61,825
Travel	10,250	1,592	63,743	35,602	2,383	2,825	11,073	8,617	4,495	386	108	141,074	6,533	1,676	149,283
Specific assistance to individuals	2,007	-	-	102	-	13	341	-	-	-	-	2,463	-	-	2,463
Field trips	5,929	6,282	75	-	-	-	1,248	-	305	-	-	13,839	-	-	13,839
Other expenses	2,917	25	675	3,406	-	-	2,650	25	-	-	-	9,698	1,516	1,500	12,714
Total expense before depreciation	1,428,022	351,446	697,655	725,302	44,395	147,050	1,446,183	374,071	339,604	23,458	278,709	5,855,895	905,803	94,188	6,855,886
Depreciation	112,906	76,204	31,312	13,464	3,534	9,101	36,491	-	1,891	-	-	284,903	84,765	463	370,131
	$ 1,540,928	$ 427,650	$ 728,967	$ 738,766	$ 47,929	$ 156,151	$ 1,482,674	$ 374,071	$ 341,495	$ 23,458	$ 278,709	$ 6,140,798	$ 990,568	$ 94,651	$ 7,226,017

See accompanying independent auditors' report and notes to financial statements.

KINGSLEY HOUSE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (514,752)	$ (254,001)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	387,799	370,131
Unrealized gains (loss) on investments - net	(30,247)	(265,852)
Realized gains on investments - net	14,250	102,158
Change in operating assets and liabilities:		
Accounts receivable	(198,325)	(163,191)
Promises to give	137,750	33,816
Prepaid expenses	29,486	(40,405)
Accounts payable	114,285	(33,743)
Net cash used by operating activities	(59,754)	(251,087)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of long-term investments	(1,491)	(33,430)
Purchases of investments	(112,876)	(811,331)
Proceeds from sales of investments	183,515	781,581
Purchases of land, buildings and equipment	(176,899)	(120,908)
Net cash used in investing activities	(107,751)	(184,088)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under line of credit	140,000	160,000
Net change in cash held for acquisition of property	26,579	27,407
Net cash provided by financing activities	166,579	187,407
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(926)**	**(247,768)**
CASH AND CASH EQUIVALENTS - Beginning of year	95,778	343,546
CASH AND CASH EQUIVALENTS - End of year	**$ 94,852**	**$ 95,778**

See accompanying independent auditors' report and notes to financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – Kingsley House, Inc. (the Organization) is a United Way agency serving Southeast Louisiana. The Organization obtains funds from state and federal governmental grants and private donor contributions.

Programs provided by the Organization are as follows:

- Pre-School Day Care – A state licensed Head Start center is provided for 220 children.
- School Age Day Care and Youth Programs – The Organization operates after school program for elementary children as well as a full day summer camp.
- Adult Day Health Care – The Organization operates an adult day health care program for 84 elderly or disabled adults and a senior center for persons over 60 years old.
- Family Life Services – Intensive at-home counseling services are provided to families in crisis and at-risk of having their children removed from the home.
- Resource Center – The Resource Center provided for a truancy abatements program in the River Parishes of Southeast Louisiana. This program was discontinued during the year ended June 30, 2011.
- Health Care for All – The Organization has a program to increase enrollment, in Southeast Louisiana, in the Louisiana Child Health Insurance Program, Louisiana Medicaid Program and Louisiana Food Stamp Program. Due to budget constraints and major contracts supporting Health Care for All not being renewed, limited services are still being provided in the service area.
- Early Head Start – A state licensed Early Head Start center for 76 children.
- Resettlement and Recovery Services – Following Hurricane Katrina, the Organization developed a program to help families recover from the effects of Hurricane Katrina by providing intense in home counseling and conducing outreach activities designed to respond to medical and nutritional needs of individuals and families.
- Community and Supporting Services – The Organization provides intensive case management services for former St. Bernard Housing Development residents as they resettle in a redeveloped mixed income community.
- Smart View – In collaboration with an electric utility in New Orleans, the Organization solicited, enrolled, and hosted training classes for low income participants in an energy management test program. The participants received tools and training from the utility on how to track energy usage, lower costs, etc. The organization's participation in the program ended during the year ended June 30, 2011.
- Participants Meal Program – The Organization operates a full kitchen to prepare and serve breakfast, lunch, and snacks to participants in the Pre-School Day Care, and Youth and Adult Day Health Care programs.

Basis of Accounting – The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation – The Organization follows the guidance of Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities – Presentation of Financial Statements.* Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets depending on the existence and/or nature of any donor restrictions.

Revenues and gains are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

Unrestricted net assets – Net assets which are free of donor imposed restrictions; all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily restricted net assets – Net assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or that can be fulfilled or removed by actions of the Organization pursuant to such stipulations.

Permanently restricted net assets – Net assets whose use by the Organization is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled and removed by actions of the Organization.

Use of Estimates – The preparation of the Organization's financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures 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.

Designation of Unrestricted Net Assets – It is the policy of the Board of Directors of the Organization to overview its plans for future property improvements and acquisitions from time to time and to designate appropriate amounts to assure adequate financing of such improvements and acquisitions.

Revenue Recognition – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increase in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Donated Services – No amounts have been reflected in the financial statements for donated services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments. The Organization received 13,056 and 13,784 volunteer hours for the years ended June 30, 2012 and 2011, respectively.

Donated Assets – Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair market values at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions over the useful life of the donated asset. The Organization reclassifies temporarily restricted net assets to unrestricted net assets over such useful life.

Advertising – Advertising costs are expenses as incurred.

Expense Allocation – Expenses are charged to each program directly when the charge is identified to the program. Program expenditures which cannot be directly identified to a program are allocated based on square footage, usage statistics, employees, and ratio of program expenses to total expenses as appropriate. Supporting services include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Expenses are allocated among the various program services and general and administrative categories based on actual use or management's best estimate in the Statements of Functional Expenses.

Income Taxes – The Organization is a not-for-profit corporation that is exempt from both federal and Louisiana income taxes under Section 501(c)(3) of the Internal Revenue Code and R.S. 12:201 of Louisiana statutes. In addition, the Organization qualifies for the charitable contribution deduction under Section 190(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Management has evaluated its tax positions and has determined that there are no uncertainties in income taxes that require adjustments to or disclosures in the financial statements.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents including bank repurchase agreements.

Accounts Receivable – All accounts receivables at June 30, 2012 and 2011 are considered collectible by management; accordingly, an allowance for doubtful accounts is not presented. Balances that are still outstanding after management has used reasonable collection efforts are written off. For the year ended June 30, 2012 management wrote off $90,853 for Medicaid. The Organization did not write off any outstanding receivables for the year ended June 30, 2011

Promises to Give – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of June 30, 2012 and 2011, accounts receivable – unconditional promises to give consisted of $379,543 and $517,293 due from United Way, respectively.

Investment Securities – Standards for accounting for investment securities are contained in FASB ASC 958-320, *Investments-Debt and Equity Securities*. The Organization is required to report investments with readily determinable fair values and all investments in debt securities at fair value. Gains and losses, both realized and unrealized, interest and dividends are included in the statements of changes in unrestricted net assets. Investments received as gifts are recorded at the fair value at the date of the gift.

Fair Value Measurement – The Organization follows FASB ASC 820-10, *Fair Value Measurements and* Disclosures, which provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

Level 1 – Inputs to the valuation methodology that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date;

Level 2 – Inputs to the valuation method other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in the markets that are not considered to be active; and.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Land, Buildings, and Equipment – Land, buildings, and equipment are recorded and carried at cost. All expenditure for land, buildings, and equipment and the fair value of donated land, buildings, and equipment in excess of $5,000 are capitalized, except expenditures from federal and other awards, which have a different capitalization thresholds and the Organization does not capitalize property purchased with resources from grants that specify that the title remains with or reverts to the grantor. Depreciation is computed using the straight-line methods over the estimated useful lives of the assets. The estimated useful lives range from five to twenty-five years.

NOTE B – LAND, BUILDINGS, AND EQUIPMENT

Property, plant, and equipment consisted of the following as of June 30:

	2012	2011
Land	$ 89,931	$ 89,931
Buildings	9,566,741	9,566,741
Improvements	174,840	174,840
Construction in progress	54,721	50,959
Transportation equipment	335,719	208,653
Furniture fixtures and equipment	571,425	571,425
	10,793,376	10,662,549
Less: accumulated depreciation	(5,916,279)	(5,574,552)
Total land, buildings, and equipment, net	**$ 4,877,097**	**$ 5,087,997**

For the years ended June 30, 2012 and 2011, depreciation expense was $387,799 and $370,131, respectively.

NOTE C – INVESTMENT INCOME

The following schedules summarize the investment returns for the stated years and their classification in the accompanying statement of activities and changes in net assets:

	June 30, 2012		
	Unrestricted	Permanently Restricted	Total
Interest and dividends	$ 42,182	$ 3,899	$ 46,081
Net realized gains	13,450	800	14,250
Net unrealized gains (losses) - net	(29,140)	(1,107)	(30,247)
	$ 26,492	**$ 3,592**	**$ 30,084**

	June 30, 2011		
	Unrestricted	Permanently Restricted	Total
Interest and dividends	$ 38,614	$ 3,858	$ 42,472
Net realized gains	101,446	712	102,158
Net unrealized gains	129,911	30,582	160,493
	$ 269,971	**$ 35,152**	**$ 305,123**

The unrealized gains on investments since their purchase or donation to the Organization was $234,041 and $265,851 for the years ended June 30, 2012 and 2011, respectively.

NOTE D – FAIR VALUE MEASUREMENTS

The methods described in Note A may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2012 and 2011.

Money funds (L1) are valued at quoted market prices in an active market.

GNOF Mutual funds (L2) are measured based on the values of the underlying investments.

Corporate bonds (L2) fair value is provided by the brokerage firms where the securities are held. The brokerage firms use outside services to supply prices which are estimates based primarily on coupon rate and credit rating.

Common stocks (L1) are valued at quoted market prices in an active market.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair values as of June 30, 2012 and 2011, respectively:

	Fair Value at June 30, 2012	**Level 1**	**Level 2**	**Level 3**
Equities	$ 917,399	$ 917,399	$ -	$ -
Bonds:				
Corporate	482,491	-	482,491	-
Government obligations	25,190	-	25,190	-
Municipal	50,478	-	50,478	-
	558,156	-	558,159	-
Money market accounts	63,819	63,819	-	-
Mutual funds	74,338	-	74,338	-
	$ 1,613,715	**$ 981,218**	**$ 632,497**	**$** -

	Fair Value at June 30, 2011	**Level 1**	**Level 2**	**Level 3**
Equities	$ 924,077	$ 924,077	$ -	$ -
Bonds:				
Corporate	448,489	-	448,489	-
Government obligations	75,309	-	75,309	-
Municipal	50,406	-	50,406	-
	574,204	-	574,204	-
Money market accounts	95,927	95,927	-	-
Mutual funds	72,658	-	72,658	-
	$ 1,666,866	**$ 1,020,004**	**$ 646,862**	**$** -

NOTE E – LINE OF CREDIT

The Organization had a $300,000 line of credit with a financial institution at an annual variable interest rate (4.25% at June 30, 2011) and was unsecured. The Organization entered into in agreement with a financial institution to refinance the previous line of credit and to be provided with a line of credit of $400,000 which expires on November 30, 2013. As of June 30, 2012, the line of credit bears a variable interest rate of 4.25%, and had a balance of $300,000.

NOTE F – BOARD DESIGNATIONS

It is the policy of the Board of Directors of the Organization to review its plans for future property improvements, acquisitions, and program services from time to time and to designate appropriate sums of unrestricted net assets to assure adequate financing. At June 30, 2012 and 2011, the Organization's Board had $1,294,145 and $1,426,267, respectively, in designated funds.

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

Substantially all of the restrictions on net assets as of June 30, 2012 and 2011 relate to funds raised through the Second Century Campaign, Capital Campaign, United Way funding for next year and prior years funds restricted to purchasing and improving Equipment and facilities.

The Organization solicited contributions to renovate the existing facilities through its two Capital Campaigns. Temporarily restricted net assets related to Capital Campaigns represent the under-predicted portion of renovation expenditures. In accordance with the Organization's policy, these restrictions will be released as the assets are depreciated.

	2012	2011
United Way Funding for Next Year	$ 379,543	$ 517,293
Renovation of Kingsley House facilities	4,243,829	4,088,482
Use restricted for facility improvements/operations	(304,998)	(135,421)
	$ 4,318,374	**$ 4,470,354**

NOTE H – PERMANENTLY RESTRICTED NET ASSETS

The Organization began receiving donations with the intentions of creating a permanent endowment in 2001. Over the years, the Organization accumulated $160,469 in donations to be invested in a permanent endowment. The Organization established the endowment funds with the intent to preserve the fair value of the original gift absent explicit donor stipulations to the contrary. As a result, the Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, and the original value of subsequent gifts to the permanent endowment. The Organization maintains realized and unrealized gains and losses within the endowment, and investment earnings appropriated for expenditure each year are approved by the board annually. As of June 30, 2012 and 2011, permanently restricted net assets were $228,610 and $227,118, respectively.

NOTE I – CONCENTRATION OF REVENUES

Approximately 73% and 6% of the Organizations' revenues for the year ended June 30, 2012 came from State and Federal government programs and from the United Way, respectively. Approximately 65% and 9% of the Organizations' revenues for the year ended June 30, 2011 came from State and Federal government programs and from the United Way, respectively.

NOTE J – RETIREMENT PLAN

The Organization maintains a noncontributory defined contribution retirement plan for employees who have attained age 21 and have completed 18 months of service by January 1 or July 1 of the following year without going over a two year anniversary. Employees receive a 100% vested interest in all contributions by the Organization on their behalf. Contributions for the period July 1, 2011 through Jun 30, 2012 were based on 3.5% of plan participants' salaries. Total retirement plan expense was $111,080 and $105,856 for the years ended June 30, 2012 and 2011, respectively.

NOTE K – OPERATING LEASES

The Organization leases service facilities under terms of several lease agreements accounted for as operating leases. Rental expense for the years ended June 30, 2012 and 2011 was $87,019 and $35,505, respectively.

The Organization has multiple operating leases for office equipment at various locations. Lease expense for the years ended June 30, 2012 and 2011 was $48,725 and $29,957, respectively.

Future minimum lease payments are as follows:

2013	$	97,115
2014		7,937
2015		1,222
	$	106,274

NOTE L – CONTINGENCIES

The Organization received a portion of its revenue from government grants, which are subject to audit by the respective funding source. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by such governmental units. Until such audits have been completed and final settlement is reached, there exists a contingency to refund any amount received in excess of allowance costs. Management is of the opinion that no material liability will result from any such audits.

NOTE M – COMMITMENTS

In 2002, the Organization signed a Cooperative Endeavor Agreement, as amended, with the Orleans Parish School Board (School Board) which provided for the right of use of a tract of land by the Organization from the School Board. The right of use was for a term of 50 years, with an option by the Organization to renew for an additional 49 years. The right of use agreement required the Organization to build on the land by October 31, 2011, which did not occur. However, School Board officials stated that the School Board no longer wants to manage property, particularly on this site due to recent findings of lead contamination that was discovered when they were doing preparatory work for a temporary school campus on the site. On October 12, 2011 the School Board informed the Organization that it has taken action to have the property declared as surplus which then gives the School Board the option to put the property up for auction or sale to a third party, or, potentially the Organization may be provided the opportunity to purchase the property.

NOTE N – BOARD OF DIRECTORS

The Board of Directors of the Organization serves and directs the Organization on a voluntary basis. The Board does not receive compensation.

NOTE O – COUNCIL ON AGING

Contracts with the New Orleans Council on Aging from the Governor's Office of Elderly Affairs are as follows.

Senior Center	**2012**	**2011**
Revenues	$ 39,131	$ 39,131
Expenses:		
Compensation and related expenses	$ 32,541	$ 36,999
Operating Services	6,590	2,132
Net	**$ -**	**$ -**

NOTE P – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 14, 2012, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

KINGSLEY HOUSE, INC.
SCHEDULE OF SUPPORT, REVENUE, AND EXPENSES
IN ACCORDANCE WITH UNITED WAY REQUIREMENTS
(UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2012

Total revenues, gains, and other support per statements of activities and changes in net assets	$ 7,814,828
Contributions	(174,136)
Foundations	53,457
Government Contracts	(167,261)
United Way Funding for the year	517,293
United Way Funding for the next year	(379,543)
Investment income	17,634
Realized Gain/Loss on investments - net	(800)
Unrealized Gain/Loss on investments - net	16,798
Interest income	(24,046)
Other Income	(2,820)
Transfer In-Out	108,634
Total United Way	$ 7,780,038

Reconciliation of total expenses is as follows:

Total expenses per statements of activites and changes in net assets	$ 8,329,580
Depreciation	(387,799)
Professional Fees	(9,428)
Other	(2,968)
	$ 7,929,385

See accompanying independent auditors' report and notes to financial statements.

KINGSLEY HOUSE, INC.
SCHEDULE OF SUPPORT, REVENUE, AND EXPENSES
IN ACCORDANCE WITH UNITED WAY REQUIREMENTS
(UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2012

	Agency Total	Supporting Services Management and General	Fund Raising	Total Program Services	Program Services: Early Headstart and Headstart	School Age Day Care/Youth	Adult Day Health Care	Resettlement and Recovery Services	Health Care For All	Other
REVENUE:										
Client Generated Self Support	*$ 349,071*	*$ 147,323*	*$ 32,570*	*$ 169,178*	*$ -*	*$ 130,600*	*$ 38,578*	*$ -*	*$ -*	*$ -*
Governmental Grants/Contracts	5,543,128	-	-	5,543,128	2,444,609	60,349	801,976	-	-	2,236,194
Other Foundations or National Grants	849,750	-	79,980	769,770	-	14,086		400,461	9,620	345,603
Other Revenue	462,149	186,598	215,776	59,775	-	18,083	1,083	756	630	39,223
TOTAL SELF-GENERATED REVENUE	7,204,098	333,921	328,326	6,541,851	2,444,609	223,118	841,637	401,217	10,250	2,621,020
United Way Designation	29,399	-	29,399	-	-	-	-	-	-	-
CFC Designation	2,822	-	2,822	-	-	-	-	-	-	-
Other United Way Allocations	26,426	-	121	26,305	-	-	-	-	-	-
TOTAL REVENUE	7,262,745	333,921	360,668	6,568,156	2,444,609	223,118	841,637	401,217	10,250	2,621,020
United Way Allocation-GNO	517,293	-	-	517,293	191,587	98,000	79,182	125,371	23,153	-
GRAND TOTAL REVENUE	$ 7,780,038	$ 333,921	$ 360,668	$ 7,085,449	$ 2,636,196	$ 321,118	$ 920,819	$ 526,588	$ 33,403	$ 2,621,020
EXPENSES:										
Salaries	$ 4,469,549	$ 650,937	$ 74,442	$ 3,744,170	$ 1,661,294	$ 195,649	$ 436,096	$ 208,011	$ 10,912	$ 1,232,208
Benefits	607,254	87,894	8,620	510,740	238,581	10,852	55,864	27,830	2,241	175,372
Taxes	349,720	48,574	5,660	295,486	131,856	16,740	34,496	15,571	850	95,973
Occupancy Expenses	589,164	73,764	4,815	510,585	192,227	33,043	42,497	51,594	3,473	187,751
Travel & Transportation	103,065	19,839	168	83,058	17,301	-	922	18,824	39	45,972
Office Supplies	751,976	80,063	14,737	657,175	129,258	20,390	1,997	33,213	762	471,555
Printing	4,018	1,282	580	2,155	600	50	280	381	10	834
Direct Assistance to Individuals	6,515	-	-	6,515	4,658	-	-	1,000	-	857
Other	1,048,124	263,026	23,995	761,102	121,426	24,175	119,626	22,504	1,004	472,367
GRAND TOTAL EXPENSES	$ 7,929,385	$ 1,225,379	$ 133,017	$ 6,570,986	$ 2,497,201	$ 300,899	$ 691,778	$ 378,928	$ 19,291	$ 2,682,889
NET DIFFERENCE	$ (149,347)	$ (891,458)	$ 227,651	$ 514,463	$ 138,995	$ 20,219	$ 229,041	$ 147,660	$ 14,112	$ (61,869)
Depreciation	$ 387,799	$ 81,962	$ 463	$ 305,374	$ 146,961	$ 75,640	$ 57,210	$ 1,668	$ 8,398	15,497
Total Direct Program Expenses					$ 2,497,201	$ 300,899	$ 691,778	$ 378,928	$ 19,291	$ 2,682,889
Percentage of Total Program Expenses					38.00%	4.58%	10.53%	5.77%	0.29%	40.83%
Distribution of M&G Expenses					$ 99,959	$ 12,045	$ 27,691	$ 15,168	$ 772	$ 107,392
Grand Total Program Expenses					$ 2,597,160	$ 312,944	$ 719,469	$ 394,096	$ 20,063	$ 2,790,281
Undup. People Served					416	340	82	500	n/a	1,460
Cost per Person					$ 6,243	$ 920	$ 8,774	$ 788	n/a	$ 1,911

See accompanying independent auditors' report and notes to financial statements.

OTHER INDEPENDENT AUDITORS' REPORT

Silva Gurtner & Abney

Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' 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 of
Kingsley House Inc.
New Orleans, Louisiana

We have audited the financial statements of Kingsley House, Inc. as of and for the year ended June 30, 2012, and have issued our report thereon dated December 14, 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

Management of Kingsley House, Inc.'s is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Kingsley House, 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 Kingsley House, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Kingsley House, 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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kingsley House, 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*.

This report is intended solely for the information and use of the finance committee, management, the Department of Health and Human Services, the Department of Transportation, the United Way, and the Louisiana Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.

Silva Gurtner & Abney, LLC

December 14, 2012

Silva Gurtner & Abney

Certified Public Accountants & Consultants

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

To the Board of Directors of
Kingsley House Inc.
New Orleans, Louisiana

<u>Compliance</u>

We have audited Kingsley House, Inc. (the Organization) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Organization's major federal programs are identified in the summary of auditor's results section of the Accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, Kingsley House, Inc. 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 June 30, 2012.

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Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organizations internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular 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 the Organization's internal control over compliance. A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of 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 of the Audit Committee, management, Board of Directors, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statue 24.513, this report is distributed by the Legislative Auditor as a public document.

Silva Gurtner & Abney, LLC

December 14, 2012

KINGSLEY HOUSE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-through Grantor/Program	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
Pass-through programs from:			
U.S. Department of Health and Human Services			
Total Community Action, Inc.			
Head Start	93.600	06CH0473	$ 2,414,094
Early Head Start	93.600	06YC0521	1,234,777
			3,648,871
Louisiana Department of Social Services			
Social Services Block Grant Family Preservation	93.667	TID4034	398,552
Total U.S. Department of Health and Human Services			4,047,423
U.S. Department of Agriculture			
Lousiana Department of Education			
Child and Adult Care Food Program			
Preschool/ Early Head Start/School Age	10.558	CC93-432	333,982
U.S. Department of Justice:			
Lousiana Commission on Law Enforcement			
Crime Victim Assistance Youth	16.575	C09-9-009	34,327
Total expenditures of federal awards			**$ 4,415,732**

Notes to Schedule of Expenditures of Federal Awards:

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation - This schedule includes the federal grant activity of Kingsley House, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

Accrued Reimbursement - Various reimbursement procedures are used for federal awards received by the Organization. Consequently, timing differences between expenditures and program reimbursements may exist at the end of the year.

KINGSLEY HOUSE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified			
Internal control over financial reporting:				
Material weaknesses identified?		yes	X	no
Significant deficiencies identified not considered to be material weaknesses?		yes	X	none reported
Noncompliance material to financial statements noted?		yes	X	no

Federal Awards

Internal control over major programs:				
Material weaknesses identified?		yes	X	no
Significant deficiencies identified not considered to be material weaknesses?		yes	X	none reported
Type of auditors' report issued on compliance for major programs:	Unqualified			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?		yes	X	no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
93.600	Head Start
93.600	Early Head Start
93.667	Social Services Block Grant Family Preservation
10.558	Child and Adult Care Food Program Preschool/ Early Head Start/School Age

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000			
Auditee qualified as low-risk audit?	X	yes		no

Section II - Findings related to the financial statements that are required to be reported in accordance with *Govermental Auditing Standards*

No findings noted for the year ended June 30, 2012.

Section III - Findings and questioned costs for federal awards under OMB Circular A-133 §510 (a)

No findings noted for the year ended June 30, 2012.

KINGSLEY HOUSE, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Section II - Findings related to the financial statements that are required to be reported in accordance with *Govermental Auditing Standards*

No findings noted for the year ended June 30, 2011.

Section III - Findings and questioned costs for federal awards under OMB Circular A-133 §510 (a)

No findings noted for the year ended June 30, 2011.

Silva Gurtner & Abney

Certified Public Accountants & Consultants

December 14, 2012

To the Board of Directors of
Kingsley House, Inc.
New Orleans, Louisiana

We have audited the financial statements of Kingsley House, Inc. (the "Organization") for the year ended June 30, 2012, and have issued our report thereon dated December 14, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards,* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 17, 2012. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Findings</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are attached in the drafted management representation letter dated December 14, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Odyssey House Louisiana, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Silva Gurtner & Abney, LLC

December 14, 2012