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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE USED IN ADMINISTERING FEDERAL AWARDS**

To the Board of Directors
Kingsley House and New Orleans Day
Nursery Association
New Orleans, Louisiana

We have audited the financial statements of Kingsley House and New Orleans Day Nursery Association (a nonprofit organization) as of and for the year ended June 30, 1996, and have issued our report thereon dated December 20, 1996. We have also audited the Organization's compliance with requirements applicable to major programs and have issued our report thereon dated December 20, 1996.

We conducted our audits in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the Organization complied with laws and regulations, noncompliance with which would be material to a major program.

In planning and performing our audits for the year ended June 30, 1996, we considered the internal control structure of Kingsley House and New Orleans Day Nursery Association in order to determine our auditing procedures for the purpose of expressing opinions on the financial statements of Kingsley House and New Orleans Day Nursery Association and on its compliance with requirements applicable to major programs and not to provide assurance on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal awards programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated December 20, 1996.

EMERLET HOUSE AND NON-ORGANIZED DAY NURSERIES ASSOCIATION

STATEMENT OF DEPARTMENTAL GRANTS AND CONTRACTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1966

	COMM - EMHA	OCB Family Support	OCB FAST	Family-Go- Family ? SHELTER	TOTAL
REVENUES					
Federal financial assistance and other state and federal revenue	\$ 25,228	\$ 81,831	\$ 143,491	\$ 31,481	\$ 282,031
EXPENSES					
Compensation and related	\$ 27,875	\$ 55,489	\$ 91,440	\$ 75,471	\$ 250,275
Professional	388	--	1,497	2,833	4,718
Supplies	845	2,452	1,036	9,761	14,094
Outsourcing	2,555	559	8,300	5,478	16,892
Travel	83	8,858	4,934	2,987	16,662
Special assistance	--	588	--	--	588
Other	1,690	(3,141)	4,684	4,289	7,522
Recreation and furnishings	--	--	--	--	--
Management and general	3,882	--	30,267	--	34,149
	\$ 37,228	\$ 64,881	\$ 143,381	\$ 93,601	\$ 339,091
	\$ 11,000	\$ 17,941	\$ 32,109	\$ 13,880	\$ 74,930

BRADLEY BUSH AND NEW ORLEANS DAY NURSERY ASSOCIATION

SCHEDULE OF SUPPORT, REVENUES AND EXPENSES
IN ACCORDANCE WITH UNITED NFP REQUIREMENTS
(UNAUDITED)
YEAR ENDED 2007: 12, 1998

	<u>Agency Total</u>	<u>Supporting Services Management & General</u>	<u>Building Improvement Fund Drive</u>	<u>Total Program Services</u>
REVENUES				
Board Generated Self Support	\$ 988,828	\$ 10,880	\$ 494,300	\$ 1,593,908
Client Generated Self Support	32,679	--	--	32,679
Governmental Grants/Contracts	2,366,654	--	--	2,366,654
Other Income	174,870	128,780	26,682	329,932
TOTAL SELF-GENERATED REVENUES	\$3,563,031	\$119,660	\$ 521,079	\$4,203,770
United Way Designation	18,848	18,848	--	--
CFC Designation	6,289	6,289	--	--
TOTAL REVENUE	\$3,588,168	\$144,797	\$ 521,079	\$4,253,944
United Way Allocation	582,888	--	--	582,888
GRAND TOTAL REVENUE	\$4,171,056	\$144,797	\$ 521,079	\$4,836,932
EXPENSES				
Compensation Expenses	\$2,855,524	\$187,160	\$ 6,543	\$3,049,227
Occupancy Expenses	241,140	14,790	--	255,930
Traavel and Transportation	80,800	6,688	--	87,488
Benefits Expenses	8,800	111	--	8,911
Board Generated Self Support	79,244	9,878	64,140	--
Other (Direct Program) Expenses	426,548	11,770	--	438,318
Fixed Assets	14,818	--	--	14,818
GRAND TOTAL EXPENSES	\$4,696,234	\$210,607	\$ 70,683	\$4,977,524
NET DIFFERENCE	\$4,171,056	\$214,644	\$ 384,798	\$ 4,770,500
Depreciation	\$ 46,801	\$ 21,140	\$ --	\$ 67,941

Total Direct Program Expenses
Percentage of Total Program Expenses
Distribution of M&G Expenses
Direct Total Program Expenses

Program Revenues

<u>Pre-Retired Day Care</u>	<u>School Age Day Care/Child</u>	<u>Adult Day Health Care</u>	<u>Parent Child Center</u>	<u>Family Enrichment</u>	<u>F.A.S.T. Family Support</u>	<u>Children's Crisis Management Program</u>	<u>Family To Family SUPPORT</u>
\$ --	\$ 14,707	\$ 8,700	\$ 100	\$ 41	\$ --	\$ --	\$ --
417,170	20,528	17,700	--	--	--	--	--
--	681,83	26,200	60,181	347,804	264,363	136,367	93,983
--	10,680	--	--	--	--	--	--
\$ 417,170	\$ 111,644	\$ 349,200	\$ 60,281	\$ 347,845	\$ 264,363	\$ 136,367	\$ 93,983
--	--	--	--	--	--	--	--
\$ 417,170	\$ 111,644	\$ 349,200	\$ 60,281	\$ 347,845	\$ 264,363	\$ 136,367	\$ 93,983
180,212	178,550	88,700	11,807	70,284	--	--	--
\$ 180,212	\$ 290,194	\$ 437,900	\$ 72,088	\$ 418,129	\$ 264,363	\$ 136,367	\$ 93,983
\$ 180,212	\$ 290,194	\$ 437,900	\$ 72,088	\$ 418,129	\$ 264,363	\$ 136,367	\$ 93,983
36,688	91,110	100,017	4,663	7,616	9,299	10,117	1,476
17,846	5,804	11,244	3,831	18,426	3,480	3,997	2,987
3,214	121	1,775	498	1,693	779	18	--
--	--	--	--	--	--	--	--
389,332	48,170	86,444	11,883	18,847	12,478	21,682	16,688
1,878	2,417	--	--	--	632	3,626	1,289
\$ 363,796	\$ 229,644	\$ 156,748	\$ 23,878	\$ 209,798	\$ 124,933	\$ 260,352	\$ 18,402
\$ 238,218	\$ 1,179	\$ 11,911	\$ 23,611	\$ 18,503	\$ 18,263	\$ 18,263	\$ 1,489
\$ 1,018	\$ 21,212	\$ 11,084	\$ 1,268	\$ 1,283	\$ --	\$ --	\$ --
\$ 760,796	\$ 299,644	\$ 156,748	\$ 23,878	\$ 229,798	\$ 174,933	\$ 300,352	\$ 19,892
11,174	11,876	18,896	1,886	11,776	7,146	11,776	3,876
\$ 149,704	\$ 68,641	\$ 83,277	\$ 28,768	\$ 40,888	\$ 17,624	\$ 10,679	\$ --
\$ 909,128	\$ 309,889	\$ 447,621	\$ 614,638	\$ 304,798	\$ 212,919	\$ 306,931	\$ 19,832

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

SCHEDULE OF SUPPORT, REVENUE AND EXPENSES
 IN ACCORDANCE WITH UNITED WAY REQUIREMENTS
 (Unaudited)
 YEAR ENDED JUNE 30, 1998

ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES

The F.A.S.T., Family Support and Children's Crisis Management Programs are funded by contracts with the State of Louisiana in which the terms of the contracts specify the management and general expense allocation. The remaining management and general expenses were allocated to the remaining programs based on its ratio of expenses to total expenses for all programs. The Family-To-Family/Family STRETCH program included management and general in the program services expenses for the program.

RECONCILIATION OF UNITED WAY SCHEDULE WITH THE
 STATEMENT OF SUPPORT, REVENUE AND EXPENSES

Reconciliation of total revenues is as follows:

Total Revenues, gains and other support per statement of revenue, expenses, and other changes in net assets	\$4,000,946
United Way Funding for the year	328,225
United Way Funding for next year	(546,881)
Self support expenses	<u>9,978</u>
	<u>\$4,001,268</u>

Reconciliation of total expenses is as follows:

Total Expenses per statement of support, revenue and expenses and changes in fund balances	\$2,926,092
Depreciation	(67,831)
Self support expenses	<u>9,978</u>
	<u>\$2,868,239</u>

PRE-SCHOOL DAY CARE PROGRAM

The Pre-School Day Care Program includes in revenues grant funds from Total Community Action in the amount of \$173,024 which were restricted to the purchase of furnishings, equipment and building improvements. These expenditures were capitalized and not included in the expenses on the schedule.

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**INDEPENDENT AUDITOR'S REPORT ON
THE SUPPLEMENTARY INFORMATION**

To the Board of Directors
Kingsley House and New Orleans Day Nursery Association
New Orleans, Louisiana

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bernard & Franks

Metairie, Louisiana
December 30, 1996

Child Care Block Grant	New Orleans Council On Aging	Title XIX Adult Day Program	Veterans Administration	State Fund - Adult	Total Community Action Home Care	OCF Family Description	OTTD - Family Description	COMP - Office of Mental Health
\$ 3,817	\$ 25,115	\$ 16,050	\$ 21,661	\$ 80,811	\$ 10,332	\$ 118,881	\$ 168,882	\$ 199,122
\$ 3,281	\$ 20,040	\$ --	\$ --	\$ 9,489	\$ 22,293	\$ 21,840	\$ 119,828	\$ 116,364
--	3,075	--	--	--	--	1,204	1,204	1,480
--	2,000	--	--	2,158	1,782	1,788	1,625	2,191
--	1,687	--	--	--	--	1,415	1,404	30,121
--	--	--	--	--	828	10,520	9,681	9,681
--	--	--	--	--	488	94	507	--
--	--	508,214	28,528	34	2,884	1,406	5,115	18,844
--	--	--	--	--	--	--	--	--
506	--	28,738	2,134	--	--	21,567	21,612	22,111
\$ 3,817	\$ 26,831	\$ 16,050	\$ 21,661	\$ 80,811	\$ 10,332	\$ 118,881	\$ 168,882	\$ 199,122
\$ --	\$ 2,211	\$ --	\$ --	\$ --	\$ --	\$ 24,318	\$ 10,888	\$ 10,822

(Continued)

SUPPLEMENTARY INFORMATION

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**INDEPENDENT AUDITOR'S REPORT ON
SCHEDULE OF FEDERAL AWARDS**

To the Board of Directors
Kingsley House and New Orleans Day
Nursery Association
New Orleans, Louisiana

We have audited the financial statements of Kingsley House and New Orleans Day Nursery Association (a nonprofit organization), for the year ended June 30, 1996, and have issued our report thereon dated December 20, 1996. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and OMB Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Kingsley House and New Orleans Day Nursery Association taken as a whole. The accompanying Schedule of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mobile, Louisiana
December 20, 1996



KINGSLEY HOUSE
AND NEW ORLEANS DAY NURSERY ASSOCIATION

SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1996

<u>Federal Grants/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
MAJOR PROGRAMS:			
U.S. Department of Health and Human Services			
Passed-through Total Community Action, Inc.			
Head Start Act			
Project Head Start	93.600	06C190473	\$ 769,929
Parent Child Center	93.600	06C190473	<u>93,352</u>
Subtotal			<u>\$ 863,281</u>
Passed-through State of Louisiana, Office of Community Service			
Social Service-Black Grant			
Family Preservation-FAST	93.667	370 7216	\$ 113,895
Family Preservation-Support	93.667	370 9815	<u>61,921</u>
Family Preservation-Orleans & Thibodaux	93.667	370 9698	<u>112,153</u>
Subtotal			<u>\$ 287,969</u>
Passed-through Administration for Children and Families			
Head Start Act			
Family-to-Family and STRETCH	93.600	96-YB-0015/01	\$ <u>21,384</u>
U.S. Department of Agriculture			
Passed-through State of Louisiana Department of Education			
Child and Adult Food Program	10.558	93-432ADC	\$ 30,811
Child and Adult Food Program	10.558	93-255	<u>53,308</u>
Subtotal			<u>\$ 174,119</u>
Subtotal Major Federal Awards			<u>\$1,333,132</u>

(Continued)

KINGSLEY HOUSE
AND NEW ORLEANS DAY NURSERY ASSOCIATION

SCHEDULE OF FEDERAL AWARDS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1998

<u>Federal Grants/Pass-through Grants/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
OTHER FEDERAL AWARDS			
U.S. Department of Health and Human Services			
Passed through New Orleans Council on Aging Administration for Aging-Special Programs for the Aging-Title III Part B-Grants For Supportive Services and Senior Centers	93.044		\$ 26,886
Passed through Louisiana Department of Health and Hospitals-Office of Drug Block Grants for Prevention and Treatment	93.999	351-6022	33,345
Department of Justice			
Passed through Louisiana Commission of Law Enforcement and Administration of Child Abuse Victims Support Group	16.547	95-CO-V.3-0005	<u>3,687</u>
Subtotal Other Federal Awards			<u>\$ 63,838</u>
Total Federal Awards			\$1,288,591

**GOVERNMENT AUDITING STANDARDS AND OMB
CIRCULAR A-133 COMPLIANCE REPORTS**

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

Note 8. Rental Income

The Agency, as lessor, rents a portion of its facility under various leases classified as operating leases. These leases are renewed on an annual basis.

Rental income of \$39,179, less \$18,804 of rental expenses, was recognized during the year. The leases are with other not-for-profit organizations whose missions are related to the mission of Kingsley House.

Note 9. Retirement Plan

The Agency maintains a noncontributory defined contribution retirement plan for employees who have attained age 21½ and have completed two years of service. Employees receive a 100% vested interest in all contributions by the Agency on their behalf. Contributions are based on 4% of plan participants' salaries up to \$9,000 and 3% thereafter. Total retirement plan expense was \$66,838 for the year ended June 30, 1996. The Agency funds the retirement plan cost accrued for the year.

Note 10. Contingencies

The Agency 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 allowable costs.

Management is of the opinion that no material liability will result from such audits.

principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of Kingsley House and New Orleans Day Nursery Association (a nonprofit organization) for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the board of directors, management, and State of Louisiana. This resolution is not intended to limit the distribution of this report, which is a matter of public record.



Metairie, Louisiana
December 28, 1996

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

Note 1. Summary of Significant Accounting Policies (Continued)

Nature of Activities (Continued)

Family-to-Family/Family STRETCH - Provides training and support for in-home day care providers and to provide extended day care hours for the existing day care program.

Children's crisis management - Emergency crisis intervention services are provided to children and adolescents.

Basis of Accounting

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

Financial Statement Presentation

For the year ended June 30, 1996, the Association elected to adopt Statement of Financial Account Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Association 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. In addition, the Association is required to present a statement of cash flows. As permitted by this new statement, the Association has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required. This reclassification had no effect on the change in net assets for June 30, 1996.

The management of Kingsley House and New Orleans Day Nursery Association is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal awards are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Cash

Investments

Expenses for program and supporting services and accounts payable

Payroll and related liabilities

Support, revenues and receivables

Property and equipment

Governmental Financial Assistance Programs

General Requirements:

- Political Activity
- Civil Rights
- Davis - Bacon Act
- Cash Management
- Federal Financial Reports
- Allowable Costs/Cost Principles
- Drug-Free Workplace Act
- Administrative Requirements

Specific Requirements:

- Types of services allowed or unallowed
- Eligibility
- Matching, level of efforts, or earmarking and allowability of amounts claimed or used for matching
- Federal financial reports and claims for advances and reimbursements
- Cost allocation

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended June 30, 1996, Kingsley House and New Orleans Day Nursery Association expended 95 percent of its total federal awards under major programs.

We performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the Organization's major programs, which are identified in the accompanying schedule of federal awards. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal awards would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of the Kingsley House and New Orleans Day Nursery Association board of directors, management, and State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Bernard & Frankel

Metairie, Louisiana
December 20, 1996

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
BASED ON AN AUDIT OF BASIC FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Kingsley House and New Orleans Day
Nursery Association
New Orleans, Louisiana

We have audited the financial statements of Kingsley House and New Orleans Day Nursery Association (a nonprofit organization) as of and for the year ended June 30, 1996, and have issued our report thereon dated December 20, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Kingsley House and New Orleans Day Nursery Association is the responsibility of Kingsley House and New Orleans Day Nursery Association's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Kingsley House and New Orleans Day Nursery Association's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Governmental Auditing Standards.

This report is intended for the information of the board of directors, management, and State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Bernard & Frank

Metairie, Louisiana
December 20, 1996

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Kingsley House and New Orleans Day
Nursery Association
New Orleans, Louisiana

We have audited the financial statements of Kingsley House and New Orleans Day Nursery Association (a nonprofit organization) as of and for the year ended June 30, 1996, and have issued our report thereon dated December 20, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Kingsley House and New Orleans Day Nursery Association is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting

KINGOLLY HOUSE AND NEW ORLEANS DAY PROGRAM ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 1996

	Program Services			
	Pre-School Day Care	School Age/After Care/Youth	Adult Day Health Care	Parent Club -Other-
Compensation & related expenses				
Compensation	\$441,617	\$208,438	\$276,826	\$ 29,761
Employer benefits				
Medical	22,814	3,244	12,451	1,311
Retirement	21,155	2,698	8,776	3,389
Other	1,631	486	1,824	371
Payroll taxes	21,667	11,828	18,236	4,928
	\$517,984	\$247,694	\$328,213	\$44,760
Award/grant				
Conferences, conventions, and meetings	8,512	793	3,879	1,330
Food	6,147	18,244	36,548	-
Grant equipment purchases	1,879	3,177	-	-
Interest				
Property and-casualty	3,149	16,377	3,333	1,481
Vehicles	4,594	-	4,884	-
Workers' compensation	19,272	4,380	3,332	685
Membership dues	108	119	31	154
Occupancy				
Electricity	12,498	16,017	3,608	1,524
Gas	1,683	1,095	315	252
Maintenance and repairs	8,928	49,814	1,549	582
Water and sewer	3,263	4,184	1,333	527
Postage	1,499	288	768	1,269
Printing and publications	3,873	155	344	628
Professional fees	12,433	9,488	26,548	1,488
Rental and maintenance of equipment	2,788	567	794	388
Supplies				
Books	8,826	-	3,710	842
Office	3,923	1,194	898	482
Decorations, gifts	16,334	2,124	1,529	1,751
Other	8,972	9,388	4,896	972
Telephone	1,317	1,488	1,771	334
Travel	7,361	9,881	17,487	1,371
Special assistance to individuals	1,334	123	1,275	498
Other	6,428	3,837	602	31
TOTAL EXPENSES BEFORE DEPRECIATION	\$941,346	\$779,644	\$926,628	\$ 93,878
Depreciation expense	11,663	21,333	22,884	1,828
TOTAL EXPENSES	\$953,009	\$800,977	\$949,512	\$ 95,706

See accompanying Notes to Financial Statements.

Bernard & Franks
A Corporation of Certified Public Accountants

1041 PULASKI, HOUSTON, TEXAS 77002

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NEW ORLEANS, LOUISIANA 70112-1001

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MEMBER OF BUREAU OF TAX
ADMINISTRATIVE SERVICES OF THE
NATIONAL ASSOCIATION OF CPAs
MEMBER OF THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
JANUARY 1, 1997 TO 12/31/97

MEMBER OF THE SOCIETY OF
CERTIFIED ACCOUNTANTS IN
PUBLIC ACCOUNTING
SOCIETY OF LOUISIANA-CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR
FEDERAL AWARD PROGRAMS**

To the Board of Directors
Kingsley House and New Orleans Day
Nursery Association
New Orleans, Louisiana

We have audited the financial statements of Kingsley House and New Orleans Day Nursery Association (a nonprofit organization) as of and for the year ended June 30, 1996, and have issued our report thereon dated December 20, 1996.

We have also audited the compliance of Kingsley House and New Orleans Day Nursery Association with the requirements governing types of services allowed or unallowed, eligibility, matching, level of effort, or cost-sharing; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal awards programs, which are identified in the accompanying Schedule of Federal Awards, for the year ended June 30, 1996. The management of Kingsley House and New Orleans Day Nursery Association is responsible for the Association's compliance with these requirements. Our responsibility is to express an opinion on compliance with these requirements based on our audit.

We conducted our audit of compliance with these requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." These standards

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

Note 1. Summary of Significant Accounting Policies

Nature of activities

Kingsley House and New Orleans Day Nursery Association is a United Way agency serving the New Orleans area. In addition the Association obtains funds from governmental grants and donor contributions. Approximately 57% and 14% of the Association's revenues for the year ended June 30, 1996 came from government programs and allocations from the United Way.

Programs provided by the Association are as follows:

Pre-school day care - A state licensed Head Start center is provided for 120 children of working parents.

School age day care and youth programs - A day care center is maintained for school age children for after school hours as well as a full day program for the summer vacation. An evening youth program is provided for teenagers.

Adult day health care - The Agency operates an adult day health care program for 63 elderly or handicapped adults and a senior center for persons over 50 years old.

Parent-child center - Parenting education is provided by the Agency's staff for parents, children and entire families in the community. The center provides a variety of activities to decrease young parents' social isolation.

Family preservation - Intensive at-home counseling services are provided to families in crisis and at-risk of having their children removed from the home. It serves over 120 families a year and is available 24 hours a day.

F.A.S.T. / Family Support - The Agency has a contract with the State of Louisiana, Office of Child Protection to investigate reports of child neglect and to provide immediate support services to prevent child abuse.

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KINGSLEY HOUSE
AND NEW ORLEANS DAY NURSERY ASSOCIATION
(A Nonprofit Organization)

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 1996

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

Release Date: FEB 12 1997

95-106 2/12/97 20
LEGISLATIVE AUDITOR
Baton Rouge, Louisiana

KINGSLEY HOUSE
AND NEW ORLEANS DAY NURSERY ASSOCIATION

YEAR ENDED JUNE 30, 1996

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KINGSLEY HOUSE
AND NEW ORLEANS DAY NURSERY ASSOCIATION

YEAR ENDED JUNE 30, 1996

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As discussed in Note 1 to the financial statements, in year ended June 30, 1996 the Association changed its method of accounting for contributions and its method of financial reporting and financial statement presentation.

In accordance with Government Auditing Standards, we have also issued a report dated December 20, 1996, on our consideration of Kingsley House and New Orleans Day Nursery Association's internal control structure and a report dated December 20, 1996, on its compliance with laws and regulations.

Bernard & Fricker

Metairie, Louisiana
December 20, 1996

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1966

Note 1. Summary of Significant Accounting Policies (Continued)

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 Association with specific assistance programs, campaign solicitations, and various committee assignments. The Association received more than 12,255 volunteer hours this year.

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 and ratio of program expenses to total expenses as appropriate. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Association.

Income Tax Status

The Association is exempt from federal income tax under Section 501(c)(2) of the Internal Revenue Code. In addition, the Association qualifies for the charitable contribution deduction under Section 170(e)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Estimates

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

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

STATEMENT OF REVENUES, EXPENSES AND OTHER
CHANGES IN NET ASSETS
JUNE 30, 1996

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 34,486	\$ 931,333	\$ --	\$ 965,819
Federal financial assistance and other state and federal revenue	2,254,637	12,017	--	2,266,654
United Way funding for next year	--	546,881	--	546,881
Income on investments	84,629	30,473	--	125,098
Program fees	32,679	--	--	32,679
Self support	23,070	--	--	23,070
Rental income	48,375	--	--	48,375
Other	1,402	--	--	1,402
Net assets released from restrictions				
United Way funding for the year	528,225	(528,225)	--	--
Restrictions satisfied by payments	74,632	(74,632)	--	--
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	\$2,082,180	\$ 917,846	\$ --	\$4,000,046
EXPENSES				
Program services				
Pre-school day care	\$ 771,066	\$ --	\$ --	\$ 771,066
School age day care/youth	328,236	--	--	328,236
Adult day health care	367,632	--	--	367,632
Home-child center	55,286	--	--	55,286
Family preservation	292,157	--	--	292,157
F.A.S.T./family support	174,965	--	--	174,965
Children's crisis management	303,052	--	--	303,052
Family-to-family/STRETCH	51,432	--	--	51,432
Supporting services				
Management and general	436,571	--	--	436,571
Fund-raising	71,585	--	--	71,585
TOTAL EXPENSES	\$2,926,092	\$ --	\$ --	\$2,926,092
INCREASE IN NET ASSETS	\$ 166,088	\$ 917,846	\$ --	\$1,083,934
NET ASSETS AT BEGINNING OF YEAR, as restated				
	<u>1,814,108</u>	<u>2,279,306</u>	<u>1,580</u>	<u>4,094,914</u>
NET ASSETS AT END OF YEAR				
	<u>\$1,980,116</u>	<u>\$3,197,152</u>	<u>\$ 1,580</u>	<u>\$5,178,848</u>

See accompanying Notes to Financial Statements.

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

Note 5. Land, Building and Equipment

At June 30, 1996, the costs and related accumulated depreciation of land, building and equipment consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Depreciation Annual Rates</u>
Land	\$ 75,000	\$ --	\$ 75,000	--
Buildings	1,438,771	1,374,672	62,099	4 percent
Construction in Progress	982,161	--	982,161	
Improvements	57,949	47,288	10,661	4-10 percent
Transportation equipment	58,960	43,239	7,664	20-33 percent
Furniture, fixtures and equipment	<u>186,618</u>	<u>137,147</u>	<u>50,471</u>	12-20 percent
	<u>\$2,788,462</u>	<u>\$1,592,346</u>	<u>\$1,197,256</u>	

Note 6. Advances From Funding Sources

Advances from governmental funding sources were outstanding at June 30, 1996. The advances are unsecured and have no interest requirements. The advances will be repaid over the period July through September, 1996.

Note 7. Leases

The Organization leases a service facility under the terms of an annual renewal lease agreement accounted for as an operating lease requiring monthly payments of \$1,200. Lease expense for the year ended June 30, 1996 was \$19,600 for lease payments.

Family Participation	F.A.S.T. Family Support	Children's Crisis Management Program		Family-Go Family? JTBETCB	Supporting Services		Totals
		Management Program	Family-Go Family? JTBETCB		Management and General	Food Banking	
\$107,241	\$110,778	\$206,486	\$ 64,582	\$261,149	1 - 6,343	\$1,700,215	
11,000	10,200	11,400	2,900	12,700	--	61,200	
7,500	--	6,200	350	6,200	--	40,828	
1,215	700	800	233	1,215	--	20,000	
10,000	2,000	12,100	3,700	13,100	--	140,464	
\$140,277	\$140,600	\$242,386	\$ 74,231	\$313,002	1 - 6,343	\$2,000,214	
--	--	--	--	283	--	283	
2,400	1,670	1,777	602	13,070	100	33,141	
--	--	--	2,584	--	--	100,000	
--	412	8,420	3,000	--	--	14,914	
1,100	400	100	474	12,000	--	40,143	
--	--	--	--	--	--	8,478	
2,011	2,215	2,974	804	3,301	--	70,100	
900	--	--	3	540	--	2,704	
1,128	1,380	1,400	188	10,600	--	50,777	
300	120	--	30	2,000	--	8,000	
600	1,541	10,700	600	2,000	--	80,000	
400	44	411	80	4,010	--	10,000	
370	20	448	--	3,000	1,001	8,000	
804	114	43	104	3,000	3,704	8,000	
2,000	1,497	1,700	2,000	3,000	20,700	120,000	
500	711	1,022	4	9,700	672	11,200	
843	--	--	--	800	--	15,000	
2,700	2,504	8,142	621	6,126	970	50,000	
501	28	--	141	--	--	67,000	
100	501	2	1,000	1,000	--	20,000	
6,700	2,740	7,408	125	2,000	400	24,000	
10,000	9,602	1,607	1,240	4,641	--	70,000	
1,500	376	10	--	112	--	8,000	
--- 200	--- 321	--- 802	--- 1,411	--- 10,200	--- 400	--- 221,000	
\$200,000	\$170,000	\$300,000	\$ 70,000	\$410,000	1 70,000	\$1,000,000	
--- 1,200	---	---	---	--- 11,000	---	--- 67,000	
\$200,100	\$170,000	\$300,000	\$ 70,000	\$400,000	1 70,000	\$1,000,000	

KINGISLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

STATEMENT OF CASH FLOWS
JUNE 30, 1996

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$1,883,854
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	67,831
Gain on sale of investments	(41,867)
Uncollectible provision	1,575
(Increase) decrease in operating assets:	
Accounts receivable	71,396
United Way funding for next year	(18,725)
Prepaid expenses	(2,785)
Increase (decrease) in operating liabilities:	
Accounts payable	186,900
Refundable advances	(13,802)
Contributions restricted for long-term purposes:	
Contributions restricted to capital campaign	(738,470)
Amortization of discount on unconditional promises to give	(90,249)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 506,559
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of long-term investments	\$(1,273,940)
Proceeds from sales of long-term investments	1,020,570
Purchases of investments	(684,948)
Proceeds from sales of investments	669,253
Payments for building and equipment	(948,722)
NET CASH USED BY INVESTING ACTIVITIES	\$(1,228,642)
CASH FLOWS FROM FINANCING ACTIVITIES	
Capital Campaign collections	\$ 899,415
Cash held for acquisition of property	(253,588)
NET CASH PROVIDED BY FINANCING ACTIVITIES	\$ 645,827
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (159,456)
BEGINNING CASH AND CASH EQUIVALENTS	483,712
ENDING CASH AND CASH EQUIVALENTS	\$ 324,256

See accompanying Notes to Financial Statements.

<u>Land, Buildings and Equipment Fund Balance</u>	<u>Endowment Fund Balance</u>	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total Fund Balances or Net Assets</u>
\$316,096	\$500,592	\$ --	\$ --	\$ --	\$3,557,089
(716,096)	(500,592)	1,814,108	1,742,081	1,500	--
<u> --</u>	<u> --</u>	<u> --</u>	<u>528,225</u>	<u> --</u>	<u>528,225</u>
\$ --	\$ --	\$1,814,108	\$2,270,306	\$ 1,500	\$4,085,914
<u> --</u>	<u> --</u>	<u>166,898</u>	<u>917,846</u>	<u> --</u>	<u>1,084,744</u>
\$ <u> --</u>	\$ <u> --</u>	\$1,980,106	\$3,188,152	\$ 1,500	\$3,169,768

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996Note 1. Summary of Significant Accounting Policies (Continued)Contributions

The Association also elected to adopt SFAS No. 116, "Accounting for Contributions Received and Contributions Made," in 1996. The Association previously recorded allocations from the United Way as contributions in the period to which they related. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. As permitted by SFAS No. 116, the Organization has retroactively applied the provisions of this new statement by reclassifying net assets as of June 30, 1995. The Organization made an adjustment to increase net assets as of June 30, 1995 by \$328,225. That adjustment represents time-restricted contributions from the United Way. Under SFAS No. 116, such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction.

Promises To Give

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 increases 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 increases 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.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996Note 1. Summary of Significant Accounting Policies (Continued)Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Association considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents, except that assets restricted for long-term purposes are not included as cash equivalents regardless of the liquidity.

Investments

Investments are recorded at cost. Investments received as gifts are recorded at the market value at the date of the gift.

Land, Building and Equipment

Land, building and equipment are carried at cost. All expenditures for land, buildings and equipment and the fair value of donated land, buildings and equipment in excess of \$1,000 are capitalized, except the Association does not capitalize property purchased with resources from grants that specify that the title remain with or revert to grantor. Depreciation is computed by straight-line and accelerated methods.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair 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 Association reports expirations of donor restrictions over the useful life of the donated asset. The Organization reclassified temporarily restricted net assets to unrestricted net assets over such useful life.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

Note 1. Summary of Significant Accounting Policies (Continued)

Designation of Unrestricted Net Assets

It is the policy of the Board of Directors of the Association to review its plans for future property improvements and acquisitions from time to time and to designate appropriate sums to assure adequate financing of such improvements and acquisitions.

Note 2. Temporarily Restricted Net Assets

Substantially all of the restrictions on net assets at June 30, 1996, relate to funds raised through the Capital Campaign, United Way funding for the next year and prior years funds restricted to purchasing or improving equipment and facilities.

The Association solicited contributions to renovate the existing facilities through the Capital Campaign. The projected cost of the renovation project is \$4,324,083. At June 30, 1996, the Capital Campaign has raised \$3,701,829 in promises to give. At June 30, 1996 \$982,161 has been expended for the renovation project.

Temporarily restricted net assets are available for the following purposes or periods:

	<u>Amount</u>
United Way funding for next year	\$ 546,881
Renovation of present facility, capital campaign	2,388,623
Purchase or improvement of equipment and facilities	3,741
For subsequent periods	48,307
	\$2,188,152

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998Note 3. Promises To Give

Unconditional promises to give consists of the following:

	<u>Amount</u>
Restricted to renovation of present facility	\$1,475,926
United Way services	<u>346,881</u>
Gross unconditional promises to give	\$2,022,807
Less: Unamortized discount	204,370
Allowance for uncollectible promises	<u>12,902</u>
	\$ 216,572
Net unconditional promises to give	<u>\$1,806,235</u>

The amount due from the United Way consists of the following:

	<u>Amount</u>
Allocation for next fiscal year	
General allocation	\$ 527,341
Donor designation	13,734
Combined Federal Campaign	<u>6,885</u>
	<u>\$ 548,011</u>

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996Note 4. Investments

The following is a summary of investments and their respective fair market values at June 30, 1996:

	<u>Cost or Donated Value</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money funds	\$ 154,076	\$ 154,076	\$ --
Bonds and notes	75,435	74,766	(669)
Common stocks	<u>652,106</u>	<u>926,405</u>	<u>274,299</u>
	<u>\$ 881,617</u>	<u>\$1,155,247</u>	<u>\$273,630</u>

Investments held for long-term purposes, primarily building improvements are as follows:

	<u>Cost or Donated Value</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money funds	\$ 379,791	\$ 379,791	\$ --
Bonds and notes	244,871	247,805	294
Common stock	<u>19,093</u>	<u>20,799</u>	<u>1,706</u>
	<u>\$ 643,755</u>	<u>\$ 648,395</u>	<u>\$ 2,700</u>

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

BALANCE SHEET
JUNE 30, 1996

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS:				
Cash and cash equivalents	\$ 248,261	\$ --	\$ --	\$ 248,261
Investments	881,617	--	--	881,617
Accounts receivable				
Unconditional promises to give	--	1,806,235	--	1,806,235
Government contracts	290,941	40,388	--	331,329
Other	11,100	--	--	11,100
Prepaid expenses	45,443	--	--	45,443
Cash held for acquisition of property and donor restricted purposes	--	331,119	--	331,119
Long-term investments	--	644,255	1,500	645,755
Land, building, and equipment, net	870,901	386,155	--	1,197,056
TOTAL ASSETS	\$2,308,263	\$3,188,152	\$ 1,500	\$5,497,915
LIABILITIES AND NET ASSETS				
Accounts payable	\$ 322,597	\$ --	\$ --	\$ 322,597
Refundable advances	3,328	--	--	3,328
TOTAL LIABILITIES	\$ 328,147	\$ --	\$ --	\$ 328,147
Net assets:				
Unrestricted	\$ 976,642	\$ --	\$ --	\$ 976,642
Board restricted	1,893,424	--	--	1,893,424
Total unrestricted	\$1,980,116	\$ --	\$ --	\$1,980,116
Temporarily restricted	--	3,188,152	--	3,188,152
Permanently restricted	--	--	1,500	1,500
TOTAL NET ASSETS	\$1,980,116	\$3,188,152	\$ 1,500	\$5,169,768
TOTAL LIABILITIES AND NET ASSETS	\$2,308,263	\$3,188,152	\$ 1,500	\$5,497,915

See accompanying Notes to Financial Statements.

and GMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to in the second paragraph occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures did not disclose any immaterial instances of noncompliance with the requirements referred to in the second paragraph.

In our opinion, Kingsley House and New Orleans Day Nursery Association complied, in all material respects, with the specific requirements referred to in the second paragraph that are applicable to each of its major Federal award programs for the year ended June 30, 1996.

This report is intended for the information of the audit committee, management, and State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

Bernard & Frank

Metairie, Louisiana
December 20, 1996

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

STATEMENT OF NET ASSETS
JUNE 30, 1996

	<u>Unrestricted Fund Balance</u>	<u>Restricted Fund Balance</u>
Balance at June 30, 1995 as previously reported	\$102,138	\$2,638,863
Reclassification related to new method of financial reporting and financial statement presentation	(102,138)	(2,638,863)
Adjustment for the cumulative effect on prior years of applying retroactively new methods of accounting for contributions	<u>—</u>	<u>—</u>
Balance at June 30, 1995, as restated	\$ —	\$ —
Increase in net assets	<u>—</u>	<u>—</u>
Balance at June 30, 1996	\$ <u>—</u>	\$ <u>—</u>

See accompanying Notes to Financial Statements.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Kingsley House and New Orleans Day Nursery Association had not complied, in all material respects, with those requirements. Also, the results of our procedures did not disclose any immaterial instances of noncompliance with those requirements.

This report is intended for the information of the board of directors, management, and State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Metairie, Louisiana
December 20, 1996

With respect to the items tested, the results of these procedures disclosed no material instances of noncompliance with the requirements listed in the first paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Kingsley House and New Orleans Day Nursery Association had not complied, in all material respects, with those requirements.

This report is intended for the information of the board of directors, management, and State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Metairie, Louisiana
December 28, 1996

Bernard & Franks
A Corporation of Certified Public Accountants

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MEMBER

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
INSTITUTION OF ACCOUNTING CERTIFICATION ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO
NONMAJOR FEDERAL AWARD PROGRAM TRANSACTIONS**

To the Board of Directors
Kingsley House and New Orleans Day
Nursery Association
New Orleans, Louisiana

We have audited the financial statements of Kingsley House and New Orleans Day Nursery Association (a nonprofit organization) as of and for the year ended June 30, 1996, and have issued our report thereon dated December 20, 1996.

In connection with our audit of the financial statements of Kingsley House and New Orleans Day Nursery Association (a nonprofit organization), and with our consideration of the Organization's control structure used to administer federal awards, as required by Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions," we selected certain transactions applicable to certain nonmajor programs for the year ended June 30, 1996. As required by Circular A-133, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed, eligibility, and special tests and provisions (if any) that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Organization's compliance with these requirements. Accordingly, we do not express such an opinion.

Bernard & Frank
A Corporation of Certified Public Accountants

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MEMBERS
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ORDER BY CP ACCOUNTING CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE
TO FEDERAL AWARDS PROGRAMS**

To the Board of Directors
Kingsley House and New Orleans Day
Nursery Association
New Orleans, Louisiana

We have audited the financial statements of Kingsley House and New Orleans Day Nursery Association (a nonprofit organization) as of and for the year ended June 30, 1996, and have issued our report thereon dated December 20, 1996.

We have applied procedures to test Kingsley House and New Orleans Day Nursery Association's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the accompanying Schedule of Federal Awards, for the year ended June 30, 1996:

1. Political Activity
2. Civil Rights
3. Davis - Bacon Act
4. Cash Management
5. Federal Financial Reports
6. Allowable Costs/Cost Principles
7. Drug-Free Workplace Act

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Audits of Institutions of Higher Learning and Other Nonprofit Institutions". Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Kingsley House and New Orleans Day Nursery Association's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.