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BROOKHAVEN HOMES OF LOUISIANA, INC.

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 1999

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

Release Date _____

FEB 02 2000

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Activities	5
Statement of Cash Flows	6
Notes To Financial Statements	7
COMPLIANCE AND INTERNAL CONTROL	
Independent Auditor’s Report On Compliance and Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	12
Schedule of Expenditures of Federal Awards.....	14
Schedule of Finding and Questioned Costs.....	15
Schedule Of Prior Audit Findings	17

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Brookhaven Homes of Louisiana, Inc.

I have audited the accompanying statement of financial position of Brookhaven Homes of Louisiana, Inc. (a nonprofit organization) as of June 30, 1999, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Brookhaven Homes of Louisiana, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with general accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 estimate made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brookhaven Homes of Louisiana, Inc. as of June 30, 1999, and the changes in its net assets and cash flows for the year then ended in accordance with generally accepted accounting principles.

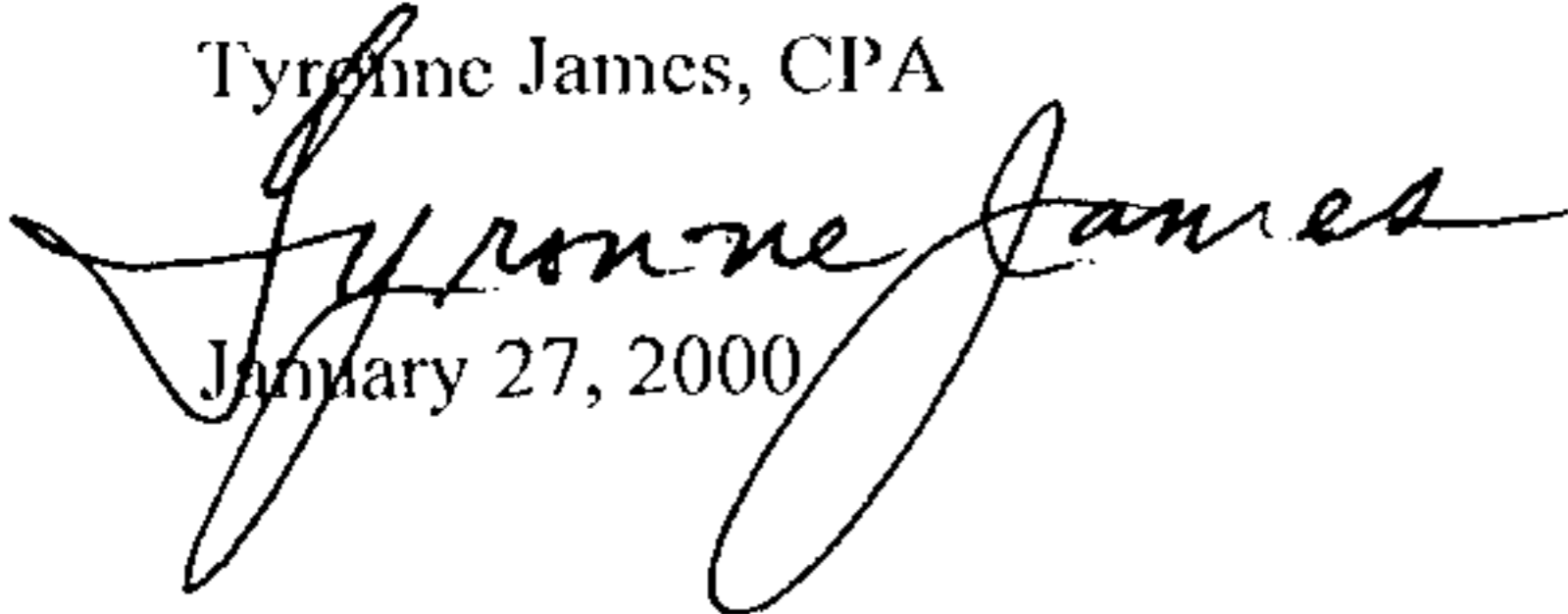
As discussed in Note 6 to the financial statements, the Organization has an outstanding tax liability with the Internal Revenue Service that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 6. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, I have also issued a report dated January 27, 2000, on my consideration of Brookhaven Homes of Louisiana, Inc.'s internal control over financial reporting and my tests of compliance with certain provisions of laws, regulations, contracts, and grants.

My audit was performed for the purpose of forming an opinion on the basis financial statements of Brookhaven Homes of Louisiana, Inc. taken as a whole. The accompanying schedule 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Tyrone James, CPA

A handwritten signature in cursive script that reads "Tyrone James". The signature is written in black ink and is positioned over the typed name and date.

January 27, 2000

BROOKHAVEN HOMES OF LOUISIANA, INC.

STATEMENT OF FINANCIAL POSITION
June 30, 1999

ASSETS

Current Assets

Grant Revenue Receivable	\$ 45,864
Due from Networks	11,540
Due from Officers	<u>6,105</u>
Total Current Assets	63,509

Property, Plant, & Equipment

Furniture and Equipment	5,723
Accumulated Depreciation	<u>(2,243)</u>
Total Property, Plant, & Equipment	<u>3,480</u>

TOTAL ASSETS \$ 66,989

LIABILITIES

Current Liabilities

Bank Overdraft	\$ 6,405
Accrued Expenses	2,986
Employee Withholdings Payable	4,166
Delinquent Payroll Taxes Payable	12,270
Delinquent IRS Taxes Payable	<u>94,082</u>
Total Current Liabilities	119,909

NET ASSETS (DEFICIT)

Unrestricted	<u>(52,920)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 66,989</u>

See the Accompanying Notes to the Financial Statements

BROOKHAVEN HOMES OF LOUISIANA, INC.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 1999

SUPPORT

Grant Revenue-ASFC	\$ 89,279
Grant Revenue-JPHSA	3,271
Grant Revenue-KSFC	18,234
Grant Revenue-OCS	191,337
Grant Revenue-OYD	9,840
Grant Revenue-Unity	124,670
Grant Revenue-OCDD	9,847
Grant Revenue-SIL/SFC Waiver	52,718

SERVICE REVENUES

Client Payments-ASFC	<u>41,744</u>
----------------------	---------------

TOTAL SUPPORT and SERVICE REVENUES

540,939

EXPENSES

Program Services

ASFC	\$ 106,819
JPHSA	1,792
KSFC	17,075
OCS	174,600
OYD	5,373
Unity	136,449
OCDD	7,578
SIL/SFC Waiver	35,756

Supporting Services

Management & General	<u>48,720</u>
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TOTAL EXPENSES

534,162

INCREASE IN UNRESTRICTED NET ASSETS (DEFICIT)

6,777

NET ASSETS (DEFICIT) AT BEGINNING OF YEAR

(59,697)

NET ASSETS (DEFICIT) AT END OF YEAR

\$ (52,920)

See the Accompanying Notes to the Financial Statements

BROOKHAVEN HOMES OF LOUISIANA, INC

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 1999

	Program Services	ASFC	JPHSA	Program Services	KSFC	Program Services	OCS	Program Services	OYD	Program Services	UNITY	Program Services	OCDD	Program Services	SIL/SFC	Supporting Services Management and General	Total
Advertising	\$ 686			\$ 12	\$ 869	\$ 385		\$ 104									\$ 2,056
Allowances	3,019			54				882									3,956
Auto and Truck Expense	12,993							1,612								\$ 4,168	18,773
Bank Fees																589	589
Building Maintenance								190								340	530
Clothing and Personal																	500
Contract Labor	500																
Depreciation Expense																950	950
Dietary Foods							349	2,503								21	2,874
Family Payments	55,513		1,000	657	96,862	2,414		23,448							675		179,895
Furniture and Equipment Rental	1,245		98	452	812			321									3,603
Housekeeping	2,205							240									2,445
Insurance	2,305			486	2,736	486		4,524							353		10,868
Interest Expense																	
Licenses and Permits	61		102	51	51	51		53									
Medical and Medication	157																420
Meals & Entertainment & Travel	1,165			418	418	155		1,165							600		157
Office Expense	494			831				2,790									3,503
Payroll Taxes																	4,116
Penalties																	17,950
Postage	109			32	261	76		32							16		1,419
Professional Fees	3,325		400	1,495	6,945	1,505		1,667							908		527
Recreation	68				1,784	21		217									16,243
Rent	3,577			2,077	2,077	435		9,145							4,883		2,090
Repairs and Maintenance	982			107	2,030			1,044								389	21,760
Respite Payments				2,683													2,957
Salaries	9,757		192	7,994	56,262	7,371		78,569							27,842		4,713
Supplies	3,388			245													190,428
Telephone	2,006			1,029	1,029			2,738								220	3,852
Training and Seminars	3,041				825										100		14,954
Utilities					160			4,211							400		4,229
Misc Expense	223							995								18	4,229
																11,802	13,580
TOTALS	\$ 106,819		\$ 1,792	\$ 17,075	\$ 174,600	\$ 5,373		\$ 136,449		\$ 7,578		\$ 35,756		\$ 48,720			\$ 534,162

See the Accompanying Notes to the Financial Statements

BROOKHAVEN HOMES OF LOUISIANA, INC.

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 1999

CASH FLOWS FROM OPERATING ACTIVITIES

Increase In Net Assets	\$ 7,051
Adjustments to reconcile decrease in net assets to net cash provided(used) by operating activities:	
Depreciation Expense	950
(Increase) decrease in operating assets:	
Grant Revenue Receivable	43,614
Due from Networks	(11,540)
Due from Officers	(6,105)
Increase (decrease) in operating liabilities:	
Accounts Payable	(17,270)
Payrolls Taxes Payable	(12,807)
Delinquent State Taxes Payable	1,038
Delinquent IRS Taxes Payable	(11,860)
Due to Networks	(2,981)
Due to Others	<u>(2,400)</u>
Net Cash Used in Operating Activities	(12,310)

CASH FLOWS FROM INVESTING ACTIVITIES

Sale of Truck	10,886
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CASH FLOWS FROM FINANCING ACTIVITIES

Payment of Note Payable	<u>(9,278)</u>
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NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,424)
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>(4,981)</u>
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CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$(6,405)</u></u>
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See the Accompanying Notes to the Financial Statements.

BROOKHAVEN HOMES OF LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 1999

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Brookhaven Homes of Louisiana, Inc. (the Organization) was established in Louisiana in 1989 as a non-profit corporation to provide substitute family housing to adults and youths that have severe mental health problems. In addition to those services, the Organization also provides a client assistance program for adults who live independently but need support and case management. The Organization also provides assistance to those who are homeless. The Organization performs these services for individuals through state and local agencies.

Basis of Accounting

The Organization uses the accrual method of accounting and follows the standards of accounting and financial reporting outlined by the American Institute of Certified Public Accountants in its Audit and Accounting Guide, *Audits of Not-for-Profit Organizations*.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Property, Plant and Equipment

Property and equipment acquired by the Organization are considered to be owned by the Organization. Property and equipment are carried at cost. Depreciation is computed using the straight-line method over an estimated useful life of six years.

Expenditures for maintenance and repairs are charged to operations as incurred. Expenditures for betterments and major renewals are capitalized. The cost of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal and the resulting gains or losses are recognized.

Income Taxes

The Organization operates as a nonprofit entity and has been granted tax-exempt status by the Internal Revenue Service (IRS) under Section 501(c)(3) of the Internal Revenue Code and has been determined not to be a "private foundation" within the meaning of 509(a) of the Internal Revenue Code. The Organization's exempt status is recognized by the State of Louisiana. Accordingly, no provision has been made in these statements for federal or state income taxes.

BROOKHAVEN HOMES OF LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 1999

Use of Estimates

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

Financial Statement Presentation

In 1995 the Organization adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, 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. In addition, the Organization is required to present a statement of cash flows.

Legend for Revenues and Expenditures by Program

ASFC -	LA Department of Health & Hospitals Office of Mental Health Adult Substitute Family Care Services
JPHSA -	Jefferson Parish Human Services Authority Substitute Family Care Services
KSFC -	LA Department of Health & Hospitals Office of Mental Health Adolescent Substitute Family Care Services
OCS -	LA Department of Social Services Office of Community Services
OYD -	LA Department of Public Safety & Corrections Office of Youth Development
UNITY -	Unity for the Homeless Supportive Housing '95 and '96
OCDD -	LA Department of Health & Hospitals Office for Citizens with Developmental Disabilities
SIL/SFC -	State of Louisiana Department of Health & Hospitals Medicare/Medicaid Waiver

2. PROPERTY, PLANT & EQUIPMENT

Property and Equipment consist of the following at June 30, 1999:

Furniture and Equipment	\$ 5,723
Less Accumulated Depreciation	<u>(2,243)</u>
Net Property, Plant & Equipment	<u>\$ 3,480</u>

BROOKHAVEN HOMES OF LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30

Depreciation expense for furniture and equipment is charged to management and general expense. Depreciation expense totaled \$950 for the year ended June 30, 1999.

3. GRANTS

The Organization is the recipient of two grants from the State of Louisiana Office of Mental Health awarded for the purpose of developing and operating a substitute family care program to adolescents and adults with chronic mental illnesses. A total of \$99,136 was received under these grants for the year ending June 30, 1999.

The Organization is the recipient of a two grants from the Jefferson Parish Human Services Authority awarded for substitute family care and mentor services provided by the Organization. The amount of those grants received during the year ending June 30, 1999 totaled \$3,271.

The Organization is the recipient of a grant from the Unity for the Homeless awarded for host-family based transitional housing for homeless families and life skills services provided by the Organization. The amount of this grant received during the year ending June 30, 1999 was \$124,670.

The Organization is the recipient of a grant from the Office for Citizens with Developmental Disabilities awarded for personal care attendant services provided by the Organization. The amount of the grant received during the year ending June 30, 1999 was \$9,847.

The Organization is the recipient of a grant from the Office of Community Services awarded for therapeutic foster care services provided by the Organization. The amount received during the year ended June 30, 1999 was \$191,337.

4. RELATED PARTY TRANSACTIONS

The Organization has entered into a contract with two of its Board Members to serve as Administrators. These Administrators are employees of the Organization and receive a salary as compensation for their services. The amount of wages paid to the Administrators during the period ending June 30, 1999 totaled \$61,400.

During the period ending June 30, 1999, the Administrators borrowed \$6,105 from the Organization on open account.

In addition, the Organization is affiliated with a for profit agency, Networks in Community Living, Inc., which is a rehabilitative organization controlled by the Board of Directors of this Organization. Borrowing takes place between these two companies in order to finance the short

BROOKHAVEN HOMES OF LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 1999

terms cash needs of each. As of June 30, 1999 the Organization owed Networks in Community Living, Inc. a total of \$11,540 on a non-interest bearing open account basis.

5. LONG TERM LEASES

As of February 1, 1999, the Organization entered into a five-year lease for its program office facility requiring rent of \$12,000 annually. Upon expiration of the lease agreement, the Organization has the option to renew the lease with renegotiated terms.

As of February 10, 1998, the Organization entered into a three-year lease for its office facility requiring rent of \$6,033 annually. Upon expiration of the lease agreement, the Organization has the option to renew the lease with renegotiated terms.

As of February 1, 1998, the Organization entered into a two-year lease for its office facility requiring rent of \$7,548 in year one and \$7,937 in year two. Upon expiration of the initial lease, the Organization has the option to renew the lease with renegotiated terms, otherwise occupancy is on a month-to-month basis. Rent expense for the period ending June 30, 1999 was \$21,760.

6. GOING CONCERN

As shown in the accompanying financial statements, the Organization has outstanding liabilities with the Internal Revenue Service for \$94,082 and with the Louisiana Department of Revenue for \$12,270 as of June 30, 1999. The liability to the Internal Revenue Service arises from the Organization's failure to pay payroll taxes during the 1993 and 1994 calendar years, as well as the Organization's failure to file required income tax returns on time. A large portion of the outstanding liability consists of penalty assessments by the Internal Revenue Service. A lien has been recorded to secure payment of these assessments. The liability to the LA Department of Revenue and Labor arises from the Organization's failure to pay payroll taxes from 1997 through June 30, 1999. The Organization's ability to pay these outstanding liabilities is uncertain. This uncertainty creates doubts about the Organization's ability to continue as a going concern. Management of the Organization has submitted an Offer in Compromise to the Internal Revenue Service to significantly reduce this tax liability. The Offer in Compromise is being processed. The ability of the Organization to continue as a going concern is dependent on the Organization's ability to reduce and/or refinance its obligation to the Internal Revenue Service. The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.

7. ECONOMIC DEPENDENCY

The Organization receives the majority of its revenue from only a few grants and from a few state and locally sponsored agencies. If budget cuts from funding sources are made at the state and

BROOKHAVEN HOMES OF LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 1999

local levels, the amount of the funds the Organizations received could be significantly reduced, with resultant adverse impact on revenues and operations.

Management is not aware of any plans on the part of its current funding sources to significantly reduce payments to the Organization.

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Brookhaven Homes of Louisiana, Inc.

I have audited the financial statement of Brookhaven Homes of Louisiana, Inc. (Brookhaven) (a nonprofit organization) as of and for the year ended June 30, 1999, and have issued my report thereon dated January 27, 2000. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Brookhaven's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Audit Standards* which is described in the accompanying schedule of findings and questioned costs as item 1999-1, 1999-2 and 1999-3.

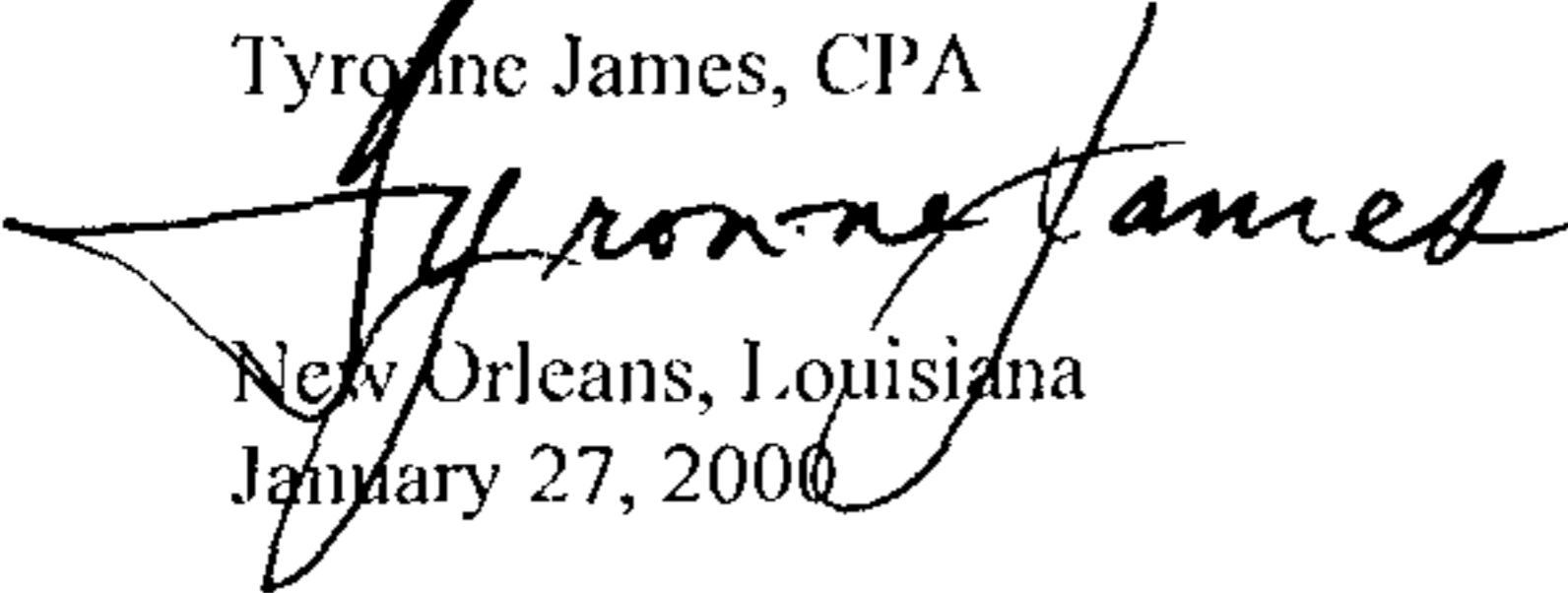
Internal Control Over Financial Reporting

In planning and performing my audit, I considered Brookhaven's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect the Organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 1999-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered material weaknesses. However, I believe that the reportable condition described above is a material weakness.

This report is intended for the information of the board of directors, management, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Tyronne James, CPA

A handwritten signature in black ink that reads "Tyronne James". The signature is written in a cursive style with a large, sweeping initial "T".

New Orleans, Louisiana
January 27, 2000

BROOKHAVEN HOMES OF LOUISIANA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 1999

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFA Number</u>	<u>Federal Disbursements/ Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Pass-Through from Unity for the Homeless:		
Supportive Housing '95 and '96	14.235	\$124,670
<u>U.S. Department of Health and Human Services</u>		
Pass-through from State Department of Social Services:		
Office of Management and Finance		
Title IV-B	93.645	34,613
Title IV-E	93.658	<u>100,898</u>
TOTAL		<u>\$260,181</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Brookhaven Homes of Louisiana, 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 Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

BROOKHAVEN HOMES OF LOUISIANA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 1999

I have audited the financial statements of Brookhaven Homes of Louisiana, Inc. as of and for the year ended June 30, 1999, and have issued my report thereon dated January 27, 2000. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of June 30, 1999 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Compliance

Compliance Material to Financial Statements Yes No

Section II Financial Statement Audit Findings

1999-1 Noncompliance with State Law

In order to comply with state law, the audit reporting package of Brookhaven Homes of Louisiana, Inc. must be submitted to the Legislative Auditor within six months of the close of the Organization's fiscal year. The Organization failed to comply with this requirement. The financial statements were not prepared in accordance with general accepted accounting principles. The financial statements had to be compiled. In addition, due to the late receipt of several confirmations, I was unable to complete the audit within the required time. Management has established procedures to ensure that the financial statements are timely prepared in accordance with generally accepted accounting principles.

1999-2 Outstanding Payroll Tax Liabilities

The Organization has an outstanding liability with the State of Louisiana Departments of Revenue and labor for partial unpaid withholdings and state unemployment taxes from payroll for calender years 1997 and 1998, and for the January-June 1999. Management chose to pay delinquent state payroll taxes from earlier years during the audit period. Management was unable to pay these current taxes in a timely fashion due to poor cash flow. The Organization has instituted a method of repayment for these taxes while intending to remain current on any liabilities incurred.

1999-3 Noncompliance with State Law

AICPA audit guide, *Audits of Not-For Profit Organizations* require that generally accepted accounting principles be followed in the area of accounting and reporting. The financial statements had to be compiled. The reporting system did not produce GAAP financial statements. Management intends to establish procedures to ensure that the reporting system produces financial statements prepared in accordance with generally accepted accounting principles.

BROOKHAVEN HOMES OF LOUISIANA, INC.

SCHEDULE OF PRIOR YEAR ENDINGS

For the Year Ended June 30, 1999

Section I Internal Control and Compliance Material to the Financial Statements

Noncompliance with State Law

The audit reporting package was not submitted within six months of the close of the Organization's fiscal year. Unresolved

Outstanding Payroll Tax Liabilities

Delinquent payroll taxes. Unresolved

Section II Internal control and Compliance Material to Federal Awards

Federal Cost Reimbursement Program

The Organization failed to match federally funded program operating costs and incorrectly completed required reports under Supportive Housing Program regulations. N/A

Section III Management Letter Section

Cash Management

All invoices should be signed by authorized officer for documentation of approval of the transaction prior to payment. Resolved

Payroll Taxes

Pay all payroll taxes when due and institute a method of repayment of back taxes for the outstanding liabilities. Unresolved

Organization Structure

Board of Directors to remain closely involved in the financial affairs of the Organization. Resolved