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BRIDGE HOUSE CORPORATION

NEW ORLEANS, LOUISIANA

FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

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

Release Date 08-02-00

Ericksen, Krentel, Canton & LaPorte, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bridge House Corporation
1160 Camp Street
New Orleans, Louisiana 70130

We have audited the accompanying statements of financial position of Bridge House Corporation (a non-profit organization) as of December 31, 1999 and 1998, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards, the *Louisiana Governmental Audit Guide* 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 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 of Bridge House Corporation as of December 31, 1999 and 1998, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2000, on our consideration of Bridge House Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Bridge House Corporation taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by

To the Board of Directors
Bridge House Corporation
May 9, 2000
Page 2

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 our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

May 9, 2000


Certified Public Accountants

BRIDGE HOUSE CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 339,237	\$ 436,288
Contracts receivable	142,097	178,186
Prepaid expenses	15,248	10,258
Inventories	107,023	120,473
Investments	3,343	3,343
Deposits	22,618	19,986
Land, buildings, and equipment - at cost, less accumulated depreciation of \$415,349 in 1999 and \$357,148 in 1998	<u>460,487</u>	<u>463,781</u>
Total assets	<u>\$ 1,090,053</u>	<u>\$ 1,232,315</u>
<u>LIABILITIES:</u>		
Accounts payable and accrued expenses	\$ 116,393	\$ 125,303
Refundable advances	8,846	15,307
Deposits payable	-	10,700
Notes payable:		
Current portion	26,930	24,240
Long-term portion	<u>87,339</u>	<u>114,308</u>
Total liabilities	<u>239,508</u>	<u>289,858</u>
<u>NET ASSETS:</u>		
Unrestricted	<u>850,545</u>	<u>942,457</u>
Total net assets	<u>850,545</u>	<u>942,457</u>
Total liabilities and net assets	<u>\$ 1,090,053</u>	<u>\$ 1,232,315</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

BRIDGE HOUSE CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
<u>UNRESTRICTED NET ASSETS</u>		
<u>Public Support:</u>		
Contributions	\$ 1,692,313	\$ 1,371,203
State of Louisiana contracts	301,628	292,466
Supportive Housing contracts	334,031	303,084
Veterans Administration contracts	107,940	144,360
Baptist Community Ministries contracts	96,798	78,788
Food stamps	12,053	47,692
City of New Orleans contract	5,000	5,000
FEMA Grant	3,437	3,315
Epidemiological Research Studies of AIDS and HIV Infection contract	3,591	5,225
	2,556,791	2,251,133
<u>Other Revenue:</u>		
Client service fees	139,445	144,619
Vending	21,047	26,455
Thrift stores and auto sales	1,120,106	742,445
Cost of goods sold	(1,128,628)	(742,445)
Other income	9,128	8,622
	161,098	179,696
Total unrestricted public support and unrestricted other revenue	2,717,889	2,430,829
<u>Expenses and Losses:</u>		
Program services	2,358,457	1,836,972
Supporting services:		
Management and general	164,806	127,609
Fund raising	248,798	212,298
	413,604	339,907
Total expenses	2,772,061	2,176,879
Loss on sale of equipment	2,740	-
Write-down of inventory value	35,000	-
	37,740	-
Total expenses and losses	2,809,801	2,176,879
Change in unrestricted net assets	(91,912)	253,950
Net assets, beginning of year	942,457	688,507
Net assets, end of year	\$ 850,545	\$ 942,457

See accompanying NOTES TO FINANCIAL STATEMENTS

BRIDGE HOUSE CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
<u>CASH FLOWS PROVIDED BY (USED BY) OPERATING</u>		
<u>ACTIVITIES:</u>		
Change in net assets	\$ (91,912)	\$ 253,950
Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities:		
Depreciation	77,279	58,047
Loss on sale of equipment	2,740	-
Donated investments included in support	-	(1,091)
Donated equipment included in support	(5,150)	-
Write-down of inventory value	35,000	-
Bad debts expenses (recoveries)	(740)	1,035
(Increase) decrease in contracts receivable	36,829	(83,482)
(Increase) in prepaid expenses	(4,990)	(1,218)
(Increase) in inventories	(21,550)	(120,473)
(Increase) in deposits	(2,632)	(6,675)
Increase (decrease) in accounts payable	(8,910)	90,686
Increase (decrease) in refundable advances	(6,461)	15,307
Increase (decrease) in deposits payable	(10,700)	10,700
	<u>(1,197)</u>	<u>216,786</u>
<u>CASH FLOWS PROVIDED BY (USED BY) INVESTING</u>		
<u>ACTIVITIES:</u>		
Proceeds from the sale of equipment	440	-
Purchases of furniture, fixtures, and equipment	(72,015)	(131,830)
	<u>(71,575)</u>	<u>(131,830)</u>
<u>CASH FLOWS USED BY FINANCING ACTIVITIES:</u>		
Principal payments on notes payable	(24,279)	(14,185)
	<u>(24,279)</u>	<u>(14,185)</u>
Net increase (decrease) in cash and cash equivalents	(97,051)	70,771
Cash and cash equivalents at beginning of year	<u>436,288</u>	<u>365,517</u>
Cash and cash equivalents at end of year	<u>\$ 339,237</u>	<u>\$ 436,288</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

BRIDGE HOUSE CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1999

	Program	Supporting Services		Total
	Services	Management and General	Fund Raising	
Salaries	\$ 1,085,605	\$ 134,302	\$ 135,840	\$ 1,355,747
Payroll taxes	91,169	11,279	11,408	113,856
Total salaries and related expenses	1,176,774	145,581	147,248	1,469,603
Client allotments	-	5,264	-	5,264
Fund raising	-	-	101,550	101,550
Vending machines	13,228	-	-	13,228
Food	68,265	-	-	68,265
Professional services	78,710	-	-	78,710
Utilities	126,854	-	-	126,854
Telephone	35,512	-	-	35,512
Rent	309,493	-	-	309,493
Travel and education	23,833	-	-	23,833
Office	31,076	-	-	31,076
Insurance	111,857	-	-	111,857
Household supplies	28,573	-	-	28,573
Auto	37,718	-	-	37,718
Maintenance and repairs	85,696	-	-	85,696
Program cost	46,397	-	-	46,397
Client reimbursements	100	-	-	100
Interest	10,713	-	-	10,713
Licenses and taxes	5,991	-	-	5,991
Tax penalties	-	13,961	-	13,961
Thrift stores and auto sales expenses	90,388	-	-	90,388
Total expenses before depreciation	2,281,178	164,806	248,798	2,694,782
Depreciation of building and equipment	77,279	-	-	77,279
Total expenses	\$ 2,358,457	\$ 164,806	\$ 248,798	\$ 2,772,061

See accompanying NOTES TO FINANCIAL STATEMENTS

BRIDGE HOUSE CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1998

	Program Services	Supporting Services		Total
		Management and General	Fund Raising	
Salaries	\$ 767,311	\$ 115,048	\$ 115,048	\$ 997,407
Payroll taxes	63,533	9,526	9,526	82,585
Total salaries and related expenses	830,844	124,574	124,574	1,079,992
Client allotments	-	3,035	-	3,035
Fund raising	-	-	87,724	87,724
Vending machines	17,075	-	-	17,075
Food	66,789	-	-	66,789
Professional services	100,346	-	-	100,346
Utilities	106,286	-	-	106,286
Telephone	28,811	-	-	28,811
Rent	197,793	-	-	197,793
Travel and education	35,370	-	-	35,370
Office	37,947	-	-	37,947
Insurance	86,836	-	-	86,836
Household supplies	27,980	-	-	27,980
Auto	45,467	-	-	45,467
Maintenance and repairs	73,595	-	-	73,595
Program cost	54,524	-	-	54,524
Client reimbursements	8,882	-	-	8,882
Interest	9,142	-	-	9,142
Licenses and taxes	4,933	-	-	4,933
Tax penalties	-	-	-	-
Thrift stores and auto sales expenses	46,305	-	-	46,305
Total expenses before depreciation	1,778,925	127,609	212,298	2,118,832
Depreciation of building and equipment	58,047	-	-	58,047
Total expenses	\$ 1,836,972	\$ 127,609	\$ 212,298	\$ 2,176,879

See accompanying NOTES TO FINANCIAL STATEMENTS

BRIDGE HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

(1) **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

Bridge House Corporation (Bridge House) is a non-profit corporation organized to provide treatment and long-term residential aftercare for individuals with drug and alcohol addictions in the greater New Orleans area. Bridge House is supported primarily through donor contributions, thrift store sales, and governmental contracts.

Basis of Accounting

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

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its 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.

Use of Estimates

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

Cash Equivalents

For purposes of the statement of cash flows, Bridge House considers all certificates of deposits and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Restricted Cash

Included in cash and cash equivalents, as of December 31, 1999 and 1998 are \$8,846 and \$15,307, respectively, of cash required to be held in separate checking accounts, which are restricted for payment of refundable advances.

Inventories

Inventories are stated at the lower of fair value at date of donation or market.

BRIDGE HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1999 AND 1998

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

Bridge House follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings	30	Years
Furniture, fixtures and equipment	5-15	Years
Building improvements	7-30	Years
Leasehold improvements	27.5	Years
Automobiles	5-7	Years
Computer software	3	Years

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets 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 contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Restricted and Unrestricted Contributions

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restrictions expire in the reporting period 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.

Donated Materials and Services

Donated materials are reflected as contributions in the accompanying statements at their estimated values at date of receipt. No amounts have been reflected in the statements for donated services in as much as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the organization's program services and in its fund-raising campaigns.

Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Any expenditures not directly chargeable are allocated to a program based on related salary expenses.

BRIDGE HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1999 AND 1998

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

Bridge House is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950. However, income from certain activities not directly related to the organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Advertising

Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received. Advertising expense for the year ended December 31, 1999 and 1998 was \$51,909 and \$32,169, respectively.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

(2) STATEMENT OF CASH FLOWS SUPPLEMENTARY DISCLOSURES

Supplemental disclosures of cash flow information:

Cash paid during the year for:

	1999	1998
Interest	\$ 10,713	\$ 9,142

Non-cash investing and financing activities in 1998 consist of financing the cost of acquiring three vehicles through a long-term note of \$23,245 payable to Ford Credit and a long-term note of \$49,872 payable to Hibernia National Bank.

(3) CONTRACTS RECEIVABLE AND REVENUE

Bridge House recognizes revenue arising from contracts with the State of Louisiana - Department of Health and Hospitals and Unity for the Homeless, Inc. Terms of the contracts provide for reimbursement of certain program costs up to specified maximum amounts or on a per diem basis for each patient in the program.

In addition, Bridge House maintains several contracts with various Veteran's Administration districts whereby revenue is received on a per diem basis for each patient in the program.

No allowance has been made for uncollectible receivables as it has been Bridge House's experience that all contracts are collected in full.

BRIDGE HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1999 AND 1998

(4) INVENTORIES

Inventories at December 31, 1999 and 1998 consist of:

	1999	1998
Thrift store items	\$ 9,924	\$ 19,132
Used cars	94,099	47,341
Real property	3,000	54,000
	\$ 107,023	\$ 120,473

During 1999, real property inventory initially valued at \$38,000 was written down to its estimated net realized value. As a result, a \$35,000 loss was recognized for the year ended December 31, 1999.

(5) FIXED ASSETS AND DEPRECIATION

The cost of such assets at December 31, 1999 and 1998 are as follows:

	1999	1998
Land and buildings	\$ 163,000	\$ 163,000
Furniture, fixtures and equipment	394,496	351,812
Building improvements	108,893	104,293
Leasehold improvements	31,120	26,340
Automobiles	146,922	164,029
Computer software	31,405	11,455
	875,836	820,929
Less accumulated depreciation	(415,349)	(357,148)
	\$ 460,487	\$ 463,781

Depreciation expense for the year ended December 31, 1999 and 1998 was \$77,279 and \$58,047, respectively.

(6) NOTES PAYABLE

Notes payable at December 31, 1999 and 1998 consisted of the following:

	1999		1998	
	Due Within One Year	Due After One Year	Due Within One Year	Due After One Year
Note payable to CapMark Services, L.L.P., secured by 1 st mortgage on property located at 1141 Prytania Street, New Orleans, Louisiana. Payable in monthly installments of \$1,176 which includes principal and interest. Interest is variable, currently at 8.75% and the note matures June 30, 2005.	\$ 9,029	\$ 53,123	\$ 7,613	\$ 62,151

BRIDGE HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1999 AND 1998

(6) NOTES PAYABLE (CONTINUED)

	<u>1999</u>		<u>1998</u>	
	<u>Due Within One Year</u>	<u>Due After One Year</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
Note payable to Ford Credit, secured by 1998 Ford van. Payable in monthly installments of \$559 which includes principal and interest. Interest accrues at 7.25% and the note matures June 30, 2002.	5,793	9,520	5,396	15,305
Note payable to Hibernia National Bank, secured by two 1998 Ford vans. Payable in monthly installments of \$1,208 which includes principal and interest. Interest accrues at 7.5% and the note matures October 19, 2002.	<u>12,108</u>	<u>24,696</u>	<u>11,231</u>	<u>36,852</u>
	<u>\$ 26,930</u>	<u>\$ 87,339</u>	<u>\$ 24,240</u>	<u>\$ 114,308</u>

Following are maturities of notes payable for each of the next five years:

2000	\$ 26,930
2001	29,148
2002	25,669
2003	11,728
2004	<u>12,797</u>
	<u>\$ 106,272</u>

Interest costs incurred and charged to expense for the years ended December 31, 1999 and 1998 was \$10,713 and \$9,142, respectively.

(7) LEASES

Bridge House makes payments monthly for the use of treatment, housing, thrift store and used car facilities. Presently, Bridge House has short term and long term agreements with the owners of these properties. Short term arrangements could be terminated at the discretion of either party to the rental agreements. Long-term leases are noncancelable operating leases that expire at various dates through July 31, 2008. These leases generally contain renewal options for periods ranging from two to ten years, include escalation clauses, and require Bridge House to pay executory costs such as taxes, maintenance and insurance. Rent expense for short and long-term leases for 1999 and 1998 was \$309,493 and \$197,793, respectively.

BRIDGE HOUSE CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1999 AND 1998

(7) LEASES (CONTINUED)

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 1999 are:

Years ending December 31:

2000	\$	210,513
2001		192,000
2002		168,150
2003		144,875
2004		<u>63,600</u>
	\$	<u>779,138</u>

(8) COMMODITY ASSISTANCE

Bridge House participated in the United States Department of Agriculture Food Distribution Program for the year ended December 31, 1999 and 1998. The program provides food commodities to Bridge House to use in the preparation of meals for clients of Bridge House. The value of the donated commodities was \$37,888 for the year ended December 31, 1999, and \$18,583 for the year ended December 31, 1998. These amounts are not listed as revenues or expenditures on the accompanying statements of activities.

(9) RELATED PARTY TRANSACTIONS

During 1999, Bridge House began leasing client housing from its executive director under terms of a month to month lease. Rent is \$300 per month. Bridge House paid \$750 on this lease, which is included in rent expense in the accompanying statements of activities for the year ended December 31, 1999.

(10) CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject Bridge House to credit risk consist principally of contract receivables. Bridge House's policy is to not require these amounts to be collateralized.

Bridge House maintains cash balances with federally insured financial institutions located in New Orleans, Louisiana. The cash balances of Bridge House's accounts in these banks exceeded the \$100,000 federally insured limit by \$153,337 at December 31, 1999 and \$122,294 at December 31, 1998.

BRIDGE HOUSE CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1999

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Unity for the Homeless, Inc.			
Supportive Housing Program			
- Substance Abuse	14.235	LA48B970207/LA48B807003	\$ 140,904 *
- Youth/Substance Abuse	14.235	LA48B961404	139,578 *
- Outreach/Project Reach	14.235	LA48B970202/LA48B807001	48,977 *
- Housing Services	14.235	LA48B970203/LA48B807002	4,572 *
Total U.S. Department of Housing and Urban Development			<u>334,031</u>
<u>OTHER FEDERAL AWARDS NON MAJOR PROGRAMS</u>			
<u>U.S. Department of Health and Human Services</u>			
Louisiana Department of Health and Hospitals, Office of Alcohol and Drug Abuse			
Block Grants for Prevention and Treatment of Substance Abuse			
- Substance Abuse Treatment Conference Grant	93.959	529930/542591	136,350
- Residential Treatment	93.959	550446	32,670
Louisiana Department of Health and Hospitals, Office of Public Health			
HIV Prevention Activities-Health Dept Based			
- HIV Prevention Services Grant	93.940	530555/544218	68,548
- AAMSM Focus Group	93.940	-	1,260
Louisiana Department of Health and Hospitals Cooperative Agreements for Drug Abuse Treatment Improvement Projects in Target Cities			
- New Orleans Target Cities Project	93.196	529262	32,242
The City of New Orleans, New Orleans Department of Health Health Center Grants for Homeless Populations			
- New Orleans, Health Care for the Homeless Program	93.151	99-HLTH-015	5,000
Tulane University Medical Center Microbiology and Infectious Diseases Research			
- Epidemiological Research Studies of AIDS and HIV Infection	93.856	U641CCU613329-03	<u>3,591</u>
Total U.S. Department of Health and Human Services			<u>279,661</u>
<u>Federal Emergency Management Agency</u>			
United Way - City of New Orleans Emergency Food and Shelter National Board Program			
	83.523	17-3658-00-020	<u>3,437</u>
<u>U.S. Department of Agriculture</u>			
Louisiana Department of Agriculture Commodity Supplemental Food Program			
	10.565	-	<u>37,888</u>
Total			<u>\$ 655,017</u>

* Major Program

Note: The schedule of expenditures of federal awards is a summary of the activity of Bridge House Corporation's federal award programs presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

BRIDGE HOUSE CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
RELATIVE TO FEDERAL AWARD PROGRAMS
FOR THE YEAR ENDED DECEMBER 31, 1999

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

1998 Finding C.98-2: Supportive Housing Programs

Condition: Bank account reconciliations were not prepared on a timely basis for the bank accounts used in the administration of the Supportive Housing Programs.

Recommendation: Procedures should be implemented to insure that bank reconciliations are prepared on a timely basis each month.

Current Status: The recommendations were adopted and all bank account reconciliations are being prepared timely.

BRIDGE HOUSE CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
RELATIVE TO MANAGEMENT LETTER ITEMS
FOR THE YEAR ENDED DECEMBER 31, 1999

1998 Item 1: Disbursement Processing

Condition: Processing of checks should be automated for efficiency.

Current Status: Bridge House Corporation has begun the process of automating the processing of checks. The automation is being phased in on a vendor by vendor basis.

1998 Item 2: Client Service Fees

Condition: Client Service Fees should be logged and reconciled to accounting records.

Current Status: The recommendation was adopted. Client Service Fees are reconciled to accounting records on a semi-monthly basis.

1998 Item 3: The Year 2000 Issue

Condition: The Year 2000 Issue relates to computer systems. If the issue is not addressed, computer systems that rely on date calculations are at risk of producing unpredictable results or complete failure. Vendors, service providers, bankers, customers and other third-party entities should be verified as 2000 compliant to avoid any disruptions in operations or cash flows.

Current Status: Computer systems have been updated to address the Year 2000 Issue. No disruptions in operations or cash flows were experienced.

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* PROFESSIONAL CORPORATION

BENJAMIN J. ERICKSEN (Retired 1998)
J.V. LECIERE KRENTEL (Retired 1993)
RONALD H. ACKERMAN (Retired 1995)

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

Bridge House Corporation
1160 Camp Street
New Orleans, Louisiana 70130

We have audited the financial statements of Bridge House Corporation, as of and for the year ended December 31, 1999, and have issued our report thereon dated May 9, 2000. We conducted our 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 Bridge House Corporation's financial statements are free of material misstatement, we 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 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bridge House Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Bridge House Corporation
May 9, 2000
Page 2

This report is intended for the information of management, the Louisiana Legislative Auditor 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.

May 9, 2000


Certified Public Accountants

Ericksen, Krentel, Canton & LaPorte, L.L.P.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Bridge House Corporation
1160 Camp Street
New Orleans, Louisiana 70130

Compliance

We have audited the compliance of Bridge House Corporation, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 1999. Bridge House Corporation's major federal programs are identified in the summary of auditors' 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 Bridge House Corporation's management. Our responsibility is to express an opinion on Bridge House Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 Bridge House Corporation'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 Bridge House Corporation's compliance with those requirements.

In our opinion, Bridge House Corporation, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1999.

Bridge House Corporation
May 9, 2000
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Internal Control Over Compliance

The management of Bridge House Corporation, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Bridge House Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major 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 over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management, the Louisiana Legislative Auditor 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.

May 9, 2000


Certified Public Accountants

BRIDGE HOUSE CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Bridge House Corporation.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the general financial statements of Bridge House Corporation were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for Bridge House Corporation expresses an unqualified opinion on all major federal programs.
6. The audit did not disclose any audit findings relating to major programs.
7. The programs tested as major programs were the Supportive Housing Programs (CFDA number 14.235).
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Bridge House Corporation was determined to be a low risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAM AUDIT

None