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NEW ORLEANS MISSION, INC. AND SUBSIDIARY
NEW ORLEANS, LOUISIANA

CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

NEW ORLEANS MISSION, INC. AND SUBSIDIARY
NEW ORLEANS, LOUISIANA

CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003

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INDEPENDENT AUDITORS' REPORT

To the Officers and Board of Directors
New Orleans Mission, Inc.
New Orleans, Louisiana

We have audited the accompanying consolidated balance sheets of the New Orleans Mission, Inc. and subsidiary, as of June 30, 2003 and 2002, and the related consolidated statements of support, expenses and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the June 30, 2003 and 2002 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the New Orleans Mission, Inc. and subsidiary, as of June 30, 2003 and 2002, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2004 on our consideration of the New Orleans Mission, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Postlethwaite & Netterville

Metairie, Louisiana
March 24, 2004

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NEW ORLEANS MISSION, INC. AND SUBSIDIARY
NEW ORLEANS, LOUISIANA

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2003 AND 2002

ASSETS

	2003	2002
CURRENT ASSETS		
Cash	$ -	$ 89,788
Grants receivable	18,777	49,870
Pledges receivable	12,000	12,000
Inventory	8,000	12,800
Prepaid	10,222	-
Total current assets	48,999	164,458
PROPERTY AND EQUIPMENT		
Buildings	213,964	213,964
Building improvements	750,255	704,745
Furniture, fixtures, and equipment	258,846	220,422
Vehicles	23,967	23,967
	1,247,032	1,163,098
Less accumulated depreciation and amortization	405,873	307,568
	841,159	855,530
CONSTRUCTION IN PROGRESS	-	45,510
OTHER ASSETS		
Pledges receivable	10,000	22,000
Investments	6,521	5,567
Property held for sale	10,000	10,000
Total other assets	26,521	37,567
TOTAL ASSETS	$ 916,679	$ 1,103,065

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	2003	2002
CURRENT LIABILITIES		
Cash Overdraft	$ 10,125	$ -
Accounts payable	191,347	243,991
Accrued expenses	35,777	2,078
Current maturities of capital lease	-	761
Note payable	10,000	15,000
Current maturities of long-term debt	5,734	13,378
Total current liabilities	252,983	275,208
NON-CURRENT LIABILITIES		
Long-term debt net of current maturities	328,372	328,532
Lien on property held for sale	1,500	1,500
	329,872	330,032
Total liabilities	582,855	605,240
NET ASSETS		
Unrestricted net assets	310,324	471,575
Temporarily restricted net assets	23,500	26,250
Total net assets	333,824	497,825
TOTAL LIABILITIES AND NET ASSETS	$ 916,679	$ 1,103,065

NEW ORLEANS MISSION, INC. AND SUBSIDIARY
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENT OF SUPPORT, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2003

	Unrestricted Assets	Temporarily Restricted Assets	Totals
Public support and other revenues			
Contributions	$ 938,944	$ -	$ 938,944
Grants	136,240	-	136,240
Release of temporarily restricted net assets	2,750	(2,750)	-
Total public support and other revenues	1,077,934	(2,750)	1,075,184
Functional expenses			
Program services	899,219	-	899,219
Fund raising	204,491	-	204,491
Management and general	135,475	-	135,475
Total functional expenses	1,239,185	-	1,239,185
Change in net assets	(161,251)	(2,750)	(164,001)
Net assets, beginning of year	471,575	26,250	497,825
Net assets, end of year	$ 310,324	$ 23,500	$ 333,824

The accompanying notes are an integral part of this statement.

NEW ORLEANS MISSION, INC. AND SUBSIDIARY
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENT OF SUPPORT, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2002

	Unrestricted Assets	Temporarily Restricted Assets	Totals
Public support and other revenues			
Contributions	$ 939,907	$ 7,000	$ 946,907
HUD Grant	30,074	2,750	32,824
Interest income	476	-	476
Release of temporarily restricted net assets	19,991	(19,991)	-
Total public support and other revenues	990,448	(10,241)	980,207
Functional expenses			
Program services	834,376	-	834,376
Fund raising	308,419	-	308,419
Management and general	105,973	-	105,973
Total functional expenses	1,248,768	-	1,248,768
Change in net assets	(258,320)	(10,241)	(268,561)
Net assets, beginning of year	729,895	36,491	766,386
Net assets, end of year	$ 471,575	$ 26,250	$ 497,825

The accompanying notes are an integral part of this statement.

NEW ORLEANS MISSION, INC. AND SUBSIDIARY
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2003

	Program Services	Support Services: Fund Raising	Support Services: Management and General	Total All Functions
Appeals printing	$ -	$ 195,032	$ -	$ 195,032
Bank charges	1,244	-	-	1,244
Clothing	37,562	-	-	37,562
Computer supplies	452	-	453	905
Depreciation	98,304	-	-	98,304
Development	-	7,285	-	7,285
Dues and fees	1,699	-	-	1,699
Food	95,176	-	-	95,176
Food service supplies	12,761	-	-	12,761
Health insurance	11,684	-	-	11,684
Insurance	20,370	-	416	20,786
Interest	24,136	-	493	24,629
Miscellaneous	37,176	-	16,342	53,518
Other office expense	2,814	-	8,444	11,258
Other program costs	77,469	-	-	77,469
Payroll taxes	20,938	-	5,566	26,504
Postage	-	2,174	-	2,174
Printing	1,819	-	1,213	3,032
Professional services	-	-	26,791	26,791
Repairs and maintenance	10,963	-	-	10,963
Salaries	256,146	-	68,090	324,236
Salaries donated	118,860	-	-	118,860
Telephone	10,059	-	5,417	15,476
Travel and conference	4,732	-	1,183	5,915
Utilities	52,272	-	1,067	53,339
Work program	2,583	-	-	2,583
	$ 899,219	$ 204,491	$ 135,475	$ 1,239,185

The accompanying notes are an integral part of this statement.

NEW ORLEANS MISSION, INC. AND SUBSIDIARY
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2002

	Program Services	Support Services: Fund Raising	Support Services: Management and General	Total All Functions
Appeals printing	$ -	$ 295,043	$ -	$ 295,043
Bank charges	1,747	-	-	1,747
Clothing	26,528	-	-	26,528
Computer supplies	857	-	858	1,715
Depreciation	87,464	-	-	87,464
Development	-	9,768	-	9,768
Dues and fees	2,332	-	-	2,332
Food	79,134	-	-	79,134
Food service supplies	8,134	-	-	8,134
Health insurance	17,272	-	-	17,272
Insurance	29,929	-	611	30,540
Interest	15,287	-	312	15,599
Miscellaneous	28,351	-	11,775	40,126
Other office expense	1,288	-	3,865	5,153
Other program costs	98,895	-	-	98,895
Payroll taxes	14,285	-	3,797	18,082
Postage	-	3,608	-	3,608
Printing	3,568	-	2,378	5,946
Professional services	-	-	22,019	22,019
Repairs and maintenance	10,255	-	-	10,255
Salaries	201,358	-	53,525	254,883
Salaries donated	133,783	-	-	133,783
Telephone	8,890	-	4,787	13,677
Travel and conference	3,352	-	838	4,190
Utilities	59,214	-	1,208	60,422
Work program	2,453	-	-	2,453
	$ 834,376	$ 308,419	$ 105,973	$ 1,248,768

The accompanying notes are an integral part of this statement.

NEW ORLEANS MISSION, INC. AND SUBSIDIARY
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (164,001)	$ (268,561)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	98,304	87,464
Unrealized (gain) loss on investment	(954)	877
Interest expense imputed	3,340	2,117
Capitalization of donated stock	-	(579)
Changes in operating assets and liabilities:		
Grants receivable	31,093	26,356
Pledges receivable	12,000	2,000
Inventory	4,800	6,500
Prepaid	(10,222)	-
Accounts payable	(52,644)	154,616
Accrued liabilities	33,699	30,827
Net cash (used in) provided by operating activities	(44,585)	41,617
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(38,423)	(60,610)
Net cash used in investing activities	(38,423)	(60,610)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash overdraft	(10,125)	-
Payments on capital lease	(761)	(1,488)
Change in short-term debt	(9,339)	(15,000)
Payments on long-term debt	(6,805)	(13,421)
Net cash used in financing activities	(27,030)	(29,909)

NEW ORLEANS MISSION, INC. AND SUBSIDIARY
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2003 AND 2002

	2003	2002
NET DECREASE IN CASH AND CASH EQUIVALENTS	(110,038)	(48,902)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	89,788	138,690
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 89,788
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	$ 9,384	$ 11,019

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Activity

The New Orleans Mission, Inc. (the Mission) is a non-profit, non-stock corporation organized to operate a street rescue mission aiding various segments of the homeless population, to rehabilitate alcoholics and drug addicts, and to educate the public regarding the unique needs of the homeless. The Mission is not a private foundation. The Mission is a member of the International Union of Gospel Missions (IUGM). The Mission's subsidiary, Mission Properties Foundation, Inc., is a non-profit, non-stock corporation organized to acquire, operate, and hold real property for the Mission.

Principles of consolidation

The consolidated financial statements include the accounts of New Orleans Mission, Inc. and its wholly owned subsidiary, Mission Properties Foundation, Inc. All material interorganization transactions have been eliminated.

Method of reporting

The accompanying financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded when incurred. Contributions are recognized when received or when unconditionally promised. In-kind contributions are recognized at their fair market value when received.

Inventory

Inventory consists of food, clothing, bedding, medical supplies and building salvage materials used by the Mission in its programs. Food inventory is valued using an average cost per pound. Other inventory is valued at the lower of cost or market with cost determined by the first-in, first-out (FIFO) method, or, if donated inventory, at the fair market value at the time of the donation.

1. Summary of Significant Accounting Policies (continued)

Property and equipment

Equipment is recorded at cost when purchased and at fair market value when received as a donation. Expenditures for maintenance, repairs, and minor renewals are charged against earnings as incurred. Major expenditures for improvements, renewals and betterments are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 31 years. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any resulting gain or loss is reflected in the change in net assets.

Donated materials and services

The Mission records the estimated value of donated materials when there is an objective basis available to measure their value. Donated food is essential to the Mission and, therefore, the Mission records it at an estimated fair market value. A substantial amount of clothing and furniture is donated to the Mission during the year. These donations are recorded at a minimal value since (a) their value varies greatly depending on condition and type and (b) they are usually passed through the Mission to its charitable beneficiaries or other charitable organizations

The Mission records the value of contributed services when the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing these skills and would typically need to be purchased if not provided by donation. Contributed services for doctors and ministers are recorded. While individuals enrolled in the Mission's program donate significant amounts of their time in the Mission's program activities, these services have not been recorded since these individuals are also beneficiaries of the Mission and usually do not have specialized skills.

1. **Summary of Significant Accounting Policies (continued)**

Financial statement presentation

In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations," the Mission 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 Mission is required to present a statement of cash flows.

Contributions

In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made", contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Under SFAS No. 116, time restricted contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction.

Numerous donations are received to feed the homeless and needy. The Mission recognizes these as unrestricted contributions because the restriction is met within the same reporting period.

Use of estimates

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

1. **Summary of Significant Accounting Policies (continued)**

Income taxes

The Mission and its subsidiary are exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code and from state income tax under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950.

Functional expenses

Expenses are charged to each program or function based on direct expenditures incurred. Any expenditures not directly chargeable are allocated to programs or functions based on the estimated hours spent by the Mission's employees on each program or function.

The Mission conducts activities that include requests for contributions, as well as program and management and general components. Based on the content and audience criteria specified in Statement of Accounting Position (SOP) 98-2, "Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fund Raising", the entire amount of joint costs was allocated to fundraising.

Advertising

The Mission solicits contributions by advertising through direct mailings and newspapers which also stimulates a positive entity image. Under SOP 93-7, "Reporting on Advertising Costs", the Mission expenses the production costs of advertising as incurred except for direct-response advertising which is capitalized and amortized over its expected period of future benefits. Advertising expense was $195,032 and $295,043 for 2003 and 2002, respectively. There was no direct-response advertising for 2003 or 2002.

Cash and cash equivalents

For purposes of the statement of cash flows, the Mission considers short-term investments, if any, with an original maturity of less than three months from the acquisition date to be cash equivalents.

2. Inventory

The major components of inventory are as follows:

	2003	2002
Clothing	$ 1,500	$ 1,500
Medicine and medical supplies	-	4,800
Bedding	4,500	4,500
Food	2,000	2,000
	$ 8,000	$ 12,800

3. Debt

Long-term debt consists of the following:

	2003	2002
Installment notes payable, secured by primary Mission facility on O. C. Haley Street, bearing interest at 3%, maturing in April 2008, monthly principal and interest payments of $711 with a final balloon payment. This loan had a below market interest rate and interest has been imputed using the applicable federal rate of 7%.	$ 104,960	$ 105,732
Installment notes payable, secured by signature, bearing interest at 5%, maturing in April 2008, monthly principal and interest payments of $585 with a final balloon payment. This loan had a below market interest rate and interest has been imputed using the applicable federal rate of 7%.	84,321	85,132

3. Notes Payable (continued)

	2003	2002
Installment notes payable, secured by the Women's Center property on Baronne Street, bearing interest at 5%, maturing in April 2010, monthly principal and interest payments of $877 with a final balloon payment.	144,825	146,708
Installment notes payable, secured by a vehicle, bearing interest at 9.25%, payable on demand or if no demand, then principal and interest payments of $562 monthly. This note is considered all current due to its demand feature.	-	4,338
	$ 334,106	$ 341,910

These notes mature as follows:

Year ended June 30	
2004	$ 5,734
2005	6,078
2006	6,442
2007	6,830
2008	105,109
Thereafter	203,913
	$ 334,106

The Mission also has a $30,000 line of credit which bears interest at 10.25% at June 30, 2003 and 2002, of which $20,000 is available on the line at June 30, 2003.

4. **Capital Lease**

The Mission acquired office equipment in 1997 under the provisions of a long-term lease. For financial reporting purposes, minimum lease payments relating to the office equipment have been capitalized. The lease expired in 2002. The leased property under the capital lease as of June 30, 2002 had a cost of $9,745, accumulated amortization of $6,844 and a net book value of $2,901. Amortization of the leased property was included in depreciation expense.

5. **Donated Materials and Services**

Donated food and supplies for which fair market values were estimated totaled $110,367 and $73,942 for the years ended June 30, 2003 and 2002, respectively, and are included as contributions.

Other in-kind donations totaled $61,554 and $40,715 for the years ended June 30, 2003 and 2002, respectively, and are included as contributions.

During 2002, the Mission received stock with a total value at time of donation of $579, which was included in contributions.

Significant volunteer hours were expended on the Mission's behalf for special meal and volunteer days. These hours are not recorded since they do not meet the United States generally accepted accounting principles' recognition criteria.

Various preachers and ministry workers provide regularly scheduled programs and services. If these individuals had not volunteered the Mission would have used salaried personnel. For the years ended June 30, 2003 and 2002, these donated services were estimated to be equivalent to the services of two to three full-time ministers and are valued at $46,280 and $50,450, respectively, in the accompanying financial statements.

For the years ended June 30, 2003 and 2002, a doctor, a nurse and various medical students provided medical care at the Mission's medical clinic. The doctor's services are valued at $200 per hour which is the volunteer doctor's estimated normal "on call" rate. The nurse's services are valued at $70 per hour, which is an estimated hourly rate for contract professionals. The medical students' services have been valued at $20 per hour, which is an estimated hourly rate for a medical intern. The value of these services are recorded at $72,580 and $83,333 for the years ended June 30, 2003 and 2002, respectively.

6. Restricted Assets

The temporarily restricted net assets as of June 30, 2003 and 2002 consist of temporarily restricted donations that have not yet been used for their intended purpose. The donors restricted their use as follows:

	2003	2002
Medical clinic	$ 7,000	$ 7,000
New Women's Center	9,500	9,500
Retreat Center	7,000	7,000
Social case worker	-	2,750
	$ 23,500	$ 26,250

7. Concentration of Credit Risk

The Mission maintains its cash balances at two local financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $100,000. There were no uninsured balances as of June 30, 2003 and 2002.

8. Working Capital

As indicated in the accompanying financial statements, the Mission showed decreases in net assets of $164,001 and $268,561 for the years ended June 30, 2003 and 2002, respectively. As of June 30, 2003 the Mission's current liabilities exceed its current assets by $203,984. The Mission has modified its fund raising strategies and cut associated costs. Management is developing strategies to reduce costs while increasing fund raising.

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INDEPENDENT AUDITORS' 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 Officers and Board of Directors
New Orleans Mission, Inc.
New Orleans, Louisiana

We have audited the financial statements of the New Orleans Mission, Inc. and subsidiary (nonprofit organizations) (Mission), as of June 30, 2003 and for the year ended June 30, 2003, and have issued our report thereon dated March 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Mission'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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards that is described in the accompanying schedule of findings and questioned costs as item 2003-1. We also noted certain immaterial instances of noncompliance, which we have reported to the management of the Mission in a separate letter dated March 24, 2004

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Mission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Mission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 2003-2.

30th Floor - Energy Centre • 1100 Poydras Street • New Orleans, LA 70163-3000 • Tel: 504.569.2978
2324 Severn Avenue, Suite A • Metairie, LA 70001 • Tel: 504.837.5990 • Fax: 504.834.3609

A material weakness is defined as 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However we consider the reportable condition 2003-2 referred to above to be a material weakness. We also noted other matters involving the internal control over financial reporting and its operation that we have reported to the management of the Mission in a separate letter dated March 24, 2004.

This report is intended solely for the information and use of the Board of Directors, management, State of Louisiana Legislative Auditor's Office, 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. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

Metairie, Louisiana
March 24, 2004

NEW ORLEANS MISSION, INC. AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2003

A. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified	
• Material weakness (es) identified?	__x__ yes	_____ no
• Reportable condition(s) identified that are not considered to be material weaknesses?	_____ yes	__x__ none reported
Noncompliance material to financial statements noted?	__x__ yes	_____ no

Federal Awards

No major awards

B. Findings – Financial Statement Audit

2003-1 Delinquent Submission of Audited Financial Statements

Criteria: In accordance with Louisiana Revised Statute §24:513A. (5)(a) "audits shall be completed within six months of the close of the entity's fiscal year."

Condition: The audit of the financial statements was not completed within six months i.e. December 31, 2003

Cause: The accounting records of the Mission were not timely posted, reconciled or compiled during the fiscal year. The Mission was unable to timely provide auditors with completed trial balances reconciled to the underlying support.

Effect: The legislative auditor may audit or investigate a local auditee when the auditee has failed, after thirty days written notice from the legislative auditor, to comply with the provisions relating to timely audits. The inability to provide audited financial statements could impact the decisions of various granting authorities.

Recommendation: As long as the Mission receives or expends in excess of $25,000 in local or state assistance, the Mission should comply with the state audit law.

2003-2 Reconciliation of Bank Accounts

Criteria:	An adequate internal control structure requires the timely reconciliation of all cash accounts on a monthly basis to ensure that all transactions are properly recorded and that the accounts do not contain any errors.
Condition:	The bank accounts were not reconciled at June 30, 2003 and have not been reconciled to date.
Cause:	The person responsible was not familiar with the software and process. Management was not aware that the reconciliations were not being performed.
Effect:	The failure to complete cash account reconciliations in a timely manner could allow errors and/or irregularities to exist without being identified and corrected. The information in the general ledger was incorrect and, therefore, management and budgetary controls could not operate effectively.
Recommendation:	The Mission should implement an adequate control environment that includes management monitoring to ensure that all bank accounts are reconciled in a timely manner and are reviewed.

THE NEW ORLEANS MISSION, INC

NEW ORLEANS, LOUISIANA

MANAGEMENT LETTER

JUNE 30, 2003

THE NEW ORLEANS MISSION, INC.

NEW ORLEANS, LOUISIANA

MANAGEMENT LETTER

JUNE 30, 2003

March 24, 2004

To the Board of Directors
The New Orleans Mission, Inc.
New Orleans, Louisiana

Gentlemen:

In planning and performing our audit of the financial statements of the New Orleans Mission, Inc. (Mission) for the year ended June 30, 2003, we considered the Mission's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of the following matters that are opportunities for strengthening internal controls, improving compliance and operating efficiency. We appreciate the difficulties that are encountered in attempting to establish the highest degree of internal control with the limited number of personnel available to accomplish what may be entailed. We believe, however, that our recommendations, if substantially implemented, will provide a reasonable degree of internal control with a minimum of change or additional cost.

<u>Cash receipts</u>

We recommend copying the checks received and/or detailing the list of checks received on the deposit slip. This procedure will allow the Mission to better track the donors contributing to the New Orleans Mission and may reduce the risk of theft.

<u>Inventory</u>

At June 30, 2003, a count of food and other inventory was not taken. We recommend performing a count of all inventory items on an annual basis at a minimum. A food inventory taken quarterly or semi-annually will allow better tracking of food products.

<u>In-kind receipts</u>

During the course of our audit, we noticed that multiple receipt books with varying numerical sequences were being maintained. We recommend using one receipt book at a time and securing the unused books in a locked area. We also noted that once entered into the system, the receipts were torn out of the books and placed in a box in no particular order. We recommend keeping the receipt books intact and noting on the receipts when they have been entered into the system and by whom. The entering of in-kind receipts should be done on a monthly basis to alleviate the time consuming effort at the end of the year and to provide accurate interim financial information.

Functional allocation

Expenses should be allocated to the various functions, i.e. program, administrative, and fundraising. Salaries and salary related items should be allocated based on time expended. We recommend performing a time study to better determine the salary allocation to be used when allocating functional expenses. If employees are partially charged to federal programs or charged to more than one program you need to have time sheets. Non-salary expenses should be based on specific identification if possible or on a reasonable estimate such as space. We recommend all allocations be documented.

General ledger

During the course of our audit, we noted that multiple accounts for the same type of expenses were being used. We recommend condensing the general ledger accounts to a reasonable number of accounts instead of multiple accounts with slightly different descriptions. This will allow for more efficient data entry and coding in the general ledger as well as better expense analysis.

We also recommend closing prior fiscal years in the general ledger system. This will ensure that prior period entries cannot be made to a closed period.

Payroll taxes

Payroll taxes for the quarter ending June 20, 2003 were not paid until January 2004. We recommend that payroll taxes be paid in accordance with IRS time guidelines.

We have discussed these comments and suggestions with various Mission personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the use of the New Orleans Mission, Inc and their Board of Directors and should not be used by anyone other than these specified parties.

Postlethwaite & Netterville

New Orleans Mission, Inc.
Management's Corrective Action Plan
For the Year ended June 30, 2003

Section I Internal Control and Compliance Material to the Financial Statement

2003-1 Delinquent Submission Of Audited Financial Statements	We intend to have our audit done in a timely manner and all accounting records posted, reconciled or compiled during the fiscal year.
2003-2 Reconciliation of Bank Accounts	We are in the process of reconciling all accounts to date.

Section II Internal Control and Compliance Material to Federal Awards

N/A

Section III Management Letter

Cash Receipts	We are going to start writing each check number on the deposit slip. This will help us keep track of contributions.
Inventory	We will be keeping a running inventory, monthly. This will help us have a definite tota at June 30th of each year.
In-Kind Receipts	We have already solved this problem. We have numbered each book. They have to finish each book before they can use the next book. At June 30th we will stop any books so we have a definite total at the end of the fiscal year. As we enter the in-kinds we are putting our initials and date entered on the outside.

Functional Allocations	We are starting our time sheets as of April 1, 2004. We will have a time sheet for each employee.
General Ledger	We are going to get Postlethwaite & Netterville to give us some assistance in condensing the general ledger. .On June 30, 2004 we will be closing the prior year in the general ledger system.
Payroll Taxes	We have made arrangements for the federal taxes, so as of this date our taxes are paid up to date.

Leighton Chighizola, business manager is responsible for the for the implementation of the above corrective action plan. We intend to have all defaults fixed or in the process of being fixed by the end of the fiscal year.

This report has been prepared by Management