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**Providence House
Shreveport, Louisiana**

Financial Statements

As of and for the Years Ended September 30, 2003 and 2002

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 4-21-04

Providence House

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Independent Auditors' Report

To the Board of Directors
Providence House

We have audited the accompanying statements of financial position of Providence House (a nonprofit organization) as of September 30, 2003 and 2002, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Providence House's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. 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 financial statements referred to above present fairly, in all material respects, the financial position of Providence House as of September 30, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 22, 2004, on our consideration of Providence House'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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Providence House taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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.



Cook and Morehart
Certified Public Accountants
March 22, 2004

Providence House
Statements of Financial Position
September 30, 2003 and 2002

Assets	2003	2002
Current assets:		
Cash and cash equivalents	\$ 45,864	\$ 99,316
Investments	475,355	417,648
Grant receivables	109,568	66,169
Other receivables	1,100	121
Promises to give	32,906	46,193
Total current assets	664,793	629,447
Other assets:		
Long-term promises to give - operations	16,104	9,816
Cash restricted for building renovations	615,745	
Investments restricted for building renovations		100,000
Promises to give - building renovations	644,552	136,141
Cash restricted - resettlement funds	3,346	5,316
Total other assets	1,279,747	251,273
Property and equipment	1,461,030	1,596,021
Accumulated depreciation	(414,527)	(362,972)
Net property and equipment	1,046,503	1,233,049
Total Assets	\$ 2,991,043	\$ 2,113,769
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 16,054	\$ 123,180
Accrued expenses	43,789	70,256
Total current liabilities	59,843	193,436
Escrowed resettlement funds	3,346	5,316
Total liabilities	63,189	198,752
Net assets:		
Unrestricted:		
Operating	82,840	(68,982)
Fixed assets	1,046,503	1,233,049
Board designated	462,845	399,456
Total unrestricted	1,592,188	1,563,523
Temporarily restricted	1,335,666	351,494
Total net assets	2,927,854	1,915,017
Total Liabilities and Net Assets	\$ 2,991,043	\$ 2,113,769

The accompanying notes are an integral part of the financial statements.

Providence House
Statement of Activities
For the Year Ended September 30, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support:			
Contractual revenue – grants	\$ 1,364,407	\$	\$ 1,364,407
United Way allocation	85,559		85,559
Donations and contributions	550,692	1,027,325	1,578,017
Other income	27,963		27,963
Interest and investment income	67,901		67,901
Net assets released from restrictions:			
Restrictions satisfied by expending funds for the purpose intended	43,153	(43,153)	
Total revenues and other support	<u>2,139,675</u>	<u>984,172</u>	<u>3,123,847</u>
Functional Expenses:			
Program services	1,759,514		1,759,514
General administration	229,114		229,114
Fund raising	122,382		122,382
Total expenses	<u>2,111,010</u>		<u>2,111,010</u>
Change in net assets	28,665	984,172	1,012,837
Net assets as of beginning of year	<u>1,563,523</u>	<u>351,494</u>	<u>1,915,017</u>
Net assets as of end of year	<u>\$ 1,592,188</u>	<u>\$ 1,335,666</u>	<u>\$ 2,927,854</u>

The accompanying notes are an integral part of the financial statements.

Providence House
Statement of Activities
For the Year Ended September 30, 2002

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support:			
Contractual revenue – grants	\$ 551,262	\$	\$ 551,262
United Way allocation	87,725		87,725
Donations and contributions	720,991	231,980	952,971
Other income	36,195		36,195
Interest and investment income	(41,932)		(41,932)
Net assets released from restrictions:			
Restrictions satisfied by expending funds for the purpose intended	248,749	(248,749)	
Total revenues and other support	<u>1,602,990</u>	<u>(16,769)</u>	<u>1,586,221</u>
Functional Expenses:			
Program services	1,251,289		1,251,289
General administration	190,157		190,157
Fund raising	116,889		116,889
Total expenses	<u>1,558,335</u>		<u>1,558,335</u>
Change in net assets	44,655	(16,769)	27,886
Net assets as of beginning of year	<u>1,518,868</u>	<u>368,263</u>	<u>1,887,131</u>
Net assets as of end of year	<u><u>\$ 1,563,523</u></u>	<u><u>\$ 351,494</u></u>	<u><u>\$ 1,915,017</u></u>

The accompanying notes are an integral part of the financial statements.

Providence House
Statement of Functional Expenses
For the Year Ended September 30, 2003

	Program Services	General Administration	Fund Raising	Total
Expenses:				
Salaries and wages	\$ 840,349	\$ 111,044	\$ 75,572	\$ 1,026,965
Employee benefits	132,836	17,556	11,948	162,340
Payroll taxes and workers compensation	72,577	9,594	6,529	88,700
Office expense	41,676	31,672	25,550	98,898
Legal and accounting		14,221		14,221
Telephone	13,263	1,658	1,658	16,579
Utilities	79,467	3,219		82,686
Insurance	56,900	2,995		59,895
Repairs and maintenance	57,490	1,647		59,137
Vehicles	6,825	185		7,010
Resident transportation program	154,876			154,876
Resident expenses	64,406			64,406
Childrens' summer program	21,215			21,215
Resident graduation program	13,844			13,844
Resident counseling program	7,005			7,005
Offsite supportive housing	108,775			108,775
Travel and training	15,133	5,046		20,179
Other	18,157	23,096	855	42,108
Depreciation	54,720	7,181	270	62,171
Total expenses	\$ 1,759,514	\$ 229,114	\$ 122,382	\$ 2,111,010

The accompanying notes are an integral part of the financial statements.

Providence House
Statement of Functional Expenses
For the Year Ended September 30, 2002

Expenses:	Program Services	General Administration	Fund Raising	Total
Salaries and wages	\$ 596,264	\$ 83,574	\$ 72,854	\$ 752,692
Employee benefits	104,028	14,208	12,385	130,621
Payroll taxes and workers compensation	45,199	5,850	5,099	56,148
Office expense	28,773	20,339	23,646	72,758
Legal and accounting		10,208		10,208
Telephone	7,811	976	976	9,763
Utilities	65,286	3,436		68,722
Insurance	38,018	4,224		42,242
Repairs and maintenance	44,778	5,175		49,953
Vehicles	3,592	407		3,999
Resident expenses	57,997			57,997
Childrens' summer program	21,025			21,025
Resident graduation program	17,877			17,877
Resident counseling program	11,250			11,250
Offsite supportive housing	120,817			120,817
Travel and training	10,184	6,882	318	17,384
Other	32,474	27,513	950	60,937
Depreciation	45,916	7,365	661	53,942
Total expenses	\$ 1,251,289	\$ 190,157	\$ 116,889	\$ 1,558,335

The accompanying notes are an integral part of the financial statements.

Providence House
 Statements of Cash Flows
 For the Years Ended September 30, 2003 and 2002

	2003	2002
Operating Activities		
Change in net assets	\$ 1,012,837	\$ 27,886
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	62,171	53,942
Contributions restricted for building renovations	(515,745)	
Net realized and unrealized gains and losses on investments	(55,419)	58,887
(Increase) decrease in operating assets:		
Grant receivables	(43,399)	(20,747)
Other receivables	(979)	130
Promises to give	(501,412)	(62,998)
Increase (decrease) in operating liabilities:		
Accounts payable	(107,126)	(7,699)
Accrued expenses	(26,467)	15,750
Net cash provided by (used in) operating activities	(175,539)	65,151
Investing Activities		
Payments for property and equipment	(3,817)	(650,933)
Proceeds from sale of fixed assets	125,904	
Proceeds from sales of investments		507,055
Net cash provided by (used in) investing activities	122,087	(143,878)
Net (decrease) in cash and cash equivalents	(53,452)	(78,727)
Cash and cash equivalents as of beginning of year	99,316	178,043
Cash and cash equivalents as of end of year	\$ 45,864	\$ 99,316

The accompanying notes are an integral part of the financial statements.

Providence House
Notes to Financial Statements
September 30, 2003 and 2002

(1) Summary of Significant Accounting Policies

A. Nature of Activities

Providence House is a nonprofit corporation organized under the laws of the State of Louisiana. Providence House was established to provide housing services, training, employment and opportunities for breaking the cycle of homelessness. The support for Providence House comes primarily from private donations and grants which represent approximately 53% of revenues.

Approximately 44% of total revenues consist of contractual revenue of federal and state funds. A brief description of the programs – contracts which are funded with those federal and state funds are listed:

Emergency Shelter Grants Program – Provides funds to assist in maintaining a shelter for homeless families. Funding is provided by federal funds passed through the City of Shreveport and the City of Bossier City.

Emergency Food and Shelter – FEMA – Provides funds to assist in emergency shelter for homeless families. Funding is provided by federal funds passed through the local FEMA Board.

Children's Trust Fund – Provides funds to assist homeless children to aid in the prevention of child abuse and neglect. Specifically to implement a resource support system to provide emotional, medical, educational and recreational support services for homeless children. Funding is provided by federal and state funds passed through the State of Louisiana Department of Social Services.

Supplemental Assistance for Facilities to Assist the Homeless (SAFAH) – Provides funds for the operation of a child care center and program for the residents of a homeless shelter and other homeless children. Funding is provided by federal funds passed through Shreveport SRO, Inc.

Community Development Block Grant – Provides funds to provide shelter for the homeless and to assist families with breaking the cycle of homelessness. Specifically, to ensure that families will be allowed to move from a structured program to an unstructured, independent program through a series of levels showing a proven responsibility and disciplined lifestyle. Funding is provided by federal and state funds passed through the City of Shreveport and the City of Bossier City.

Supportive Housing Program – Transitional Living Program – Provides funds to facilitate the movement of homeless individuals and families to permanent housing. The temporary housing is combined with supportive services to enable homeless individuals and families to live as independently as possible. This program funds the education, counseling, housing and follow-up programs for Providence House. Funding is provided by federal funds from the U.S. Department of Housing and Urban Development.

(Continued)

Providence House
Notes to Financial Statements
September 30, 2003 and 2002
(Continued)

Supportive Housing Program – Project Next Step – Provides funds to facilitate the movement of homeless individuals and families to permanent housing. The funds will provide lease arrangements for individuals and families along with supportive services to enable homeless individuals and families to break the cycle of homelessness. Funding is provided by federal funds from the U.S. Department of Housing and Urban Development.

Special Milk Program – Provides funds to assist in providing milk to children who are residents of a homeless shelter, or children who are otherwise homeless. Funding is provided by federal funds passed through the State of Louisiana, Department of Education. This funding ended during the year ended September 30, 2002.

TANF – Provides education and literacy services, employment training, life skills training, counseling, children's program, budgeting, housing/shelter, childcare, meals, transportation, and other services to enable adults and their children to begin again. Funding is provided by federal funds passed through the State of Louisiana, Department of Social Services.

CACFP – Provides a food service program to children who are residents of the homeless shelter. Funding is provided by federal funds passed through the State of Louisiana, Department of Education.

B. Basis of Accounting

The financial statements of Providence House have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. 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.

D. Investments

Investments consist of money market funds and marketable securities. Money market funds are stated at cost, which approximates the market value. Marketable securities are stated at fair value. Realized and unrealized gains and losses are included in the statement of activities.

(Continued)

Providence House
Notes to Financial Statements
September 30, 2003 and 2002
(Continued)

E. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

Cash equivalents, as stated for cash flow purposes, consist of non-interest bearing bank accounts and short term highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

G. Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities or expenses, depending on the form of the benefits received. Promises to give in excess of one year are recorded at their net present value. All contributions—pledges are considered for unrestricted use unless specifically restricted by donor. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

H. Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The funding sources and the federal government may have a reversionary interest in certain property purchased with those funds. Its disposition as well as the ownership of any proceeds therefrom is subject to certain funding source regulations.

I. Revenue and Support

Donations and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contractual grant revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires (that is, when a stipulated time restriction ends or purpose of restriction is accomplished) 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.

(Continued)

Providence House
Notes to Financial Statements
September 30, 2003 and 2002
(Continued)

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

J. Income Tax Status

Providence House is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the organization's tax-exempt purpose is subject to taxation as unrelated business income. Providence House had no such income during this audit period.

K. Retirement Plan

Providence House established a profit-sharing plan with a 401(k) option for eligible employees. The name of the plan is Providence House Retirement Plan. The plan shall cover only employees having completed at least one year of service and having attained age 21. The employer contribution amount is determined by appropriate action of the Employer as of the time prescribed by law. Providence House accrued \$37,128 for the plan for the year ended September 30, 2002 and \$26,224 for the year ended September 30, 2003.

L. Donated Assets

Non-cash donations are recorded as contributions at their estimated fair value at the date of donation.

M. Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair market 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.

N. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(Continued)

Providence House
Notes to Financial Statements
September 30, 2003 and 2002
(Continued)

(2) Concentrations of Credit Risk

Financial instruments that potentially subject Providence House to concentrations of credit risk consist principally of temporary cash investments, grant receivables, and promises to give.

Concentrations of credit risk with respect to grant receivables are limited due to these amounts being due from governmental agencies under contractual terms. As of September 30, 2003 and 2002, Providence House had no significant concentrations of credit risk in relation to grant receivables.

Providence House maintains cash balances at local financial institutions. Accounts at those institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At September 30, 2003 and 2002 there were uninsured balances at those institutions of \$476,695 and \$13,125, respectively.

Concentrations of credit risk with respect to promises to give are limited due to the number of contributions comprising Providence House's contributor base.

(3) Investments

The historical cost and fair value of investments at September 30, 2003 and 2002 were as follows:

	2003		2002	
	Cost	Fair Value	Cost	Fair Value
U.S. Government Securities	\$ 53,117	\$ 55,680	\$ 78,179	\$ 82,071
Mutual Funds	76,020	74,409	70,188	72,702
Stocks – equities	321,604	307,746	340,783	243,548
Money Market account	37,520	37,520	119,327	119,327
	<u>\$ 488,261</u>	<u>\$ 475,355</u>	<u>\$ 608,477</u>	<u>\$ 517,648</u>

Investment income (loss) for the years ended September 30, 2003 and 2002 consisted of the following:

	2003	2002
Interest and dividend income	\$ 13,470	\$ 16,955
Realized gain (loss) on sale on investments	(16,839)	6,123
Unrealized gains (losses) on investments	71,270	(65,010)
	<u>\$ 67,901</u>	<u>\$ (41,932)</u>

(Continued)

Providence House
Notes to Financial Statements
September 30, 2003 and 2002
(Continued)

(4) Grant Receivables

Various funding sources provide reimbursement of allowable costs under contracts or agreements. These balances represent amounts due from the funding sources at September 30, 2003 and 2002 but not received until after that date.

(5) Restricted Cash – Resettlement Funds

The balance represents funds held by Providence House on behalf of the tenants of Providence House. Providence House has implemented a program whereby the tenants agree to escrow—deposit a certain percent of their support – wages into this account as they receive those funds. Upon graduation and/or leaving the shelter those funds will be distributed to the tenant or retained by Providence House. This amount is also shown as escrowed resettlement funds in the liability section on the statement of financial position.

(6) Promises to Give

At September 30, 2003 and 2002, contributors have made unconditional promises to give of \$49,010 and \$56,009, respectively to Providence House. Promises receivable expected to be collected over more than one year are discounted at 6% for the years ended September 30, 2003 and 2002. The allowance for uncollectible promises receivable at September 30, 2003 and September 30, 2002 was \$17,150 and \$1,375, respectively.

	<u>2003</u>	<u>2002</u>
Receivable in less than one year	\$ 32,906	\$ 46,193
Receivable in one to five years	<u>18,544</u>	<u>11,144</u>
Total unconditional promises to give	51,450	57,337
Less discounts to net present value	<u>(2,440)</u>	<u>(1,328)</u>
Net unconditional promises to give	<u>\$ 49,010</u>	<u>\$ 56,009</u>

(Continued)

Providence House
Notes to Financial Statements
September 30, 2003 and 2002
(Continued)

(7) **Assets Restricted for Building Renovations**

Assets restricted for building renovations at September 30, 2003 and 2002 consisted of the following:

	<u>2003</u>	<u>2002</u>
Cash	\$ 615,745	\$ -
Investments	-	100,000
Promises to give	<u>644,552</u>	<u>136,141</u>
	<u>\$ 1,260,297</u>	<u>\$ 236,141</u>

Promises receivable expected to be collected over more than one year are discounted at 6% for the years ended September 30, 2003 and 2002. The allowance for uncollectible promises receivable at September 30, 2003 was \$54,458. There was no allowance for uncollectible promises at September 30, 2002.

	<u>2003</u>	<u>2002</u>
Receivables in less than one year	\$ 309,211	\$ 50,000
Receivables in two to five years	<u>385,897</u>	<u>100,000</u>
	695,108	150,000
Less discounts to net present value	<u>(50,556)</u>	<u>(13,859)</u>
Net promises to give	<u>\$ 644,552</u>	<u>\$ 136,141</u>

(Continued)

Providence House
Notes to Financial Statements
September 30, 2003 and 2002
(Continued)

(8) Fixed Assets

A summary of fixed assets as of September 30, 2003 follows:

	<u>Estimated Useful Life</u>	<u>Cost / Basis</u>	<u>Accumulated Depreciation</u>
Land	N/A	\$ 117,830	\$ -
Buildings	25 years	941,271	110,917
Building improvements	25 years	57,022	18,535
Furniture & fixtures	7 years	61,654	54,148
Office equipment	5 years	92,321	74,785
Kitchen equipment	7 years	28,514	18,834
Playground equipment	7 years	40,105	26,787
Classroom computer lab	5 years	72,969	72,969
Vehicles	5 years	49,344	37,552
		<u>\$ 1,461,030</u>	<u>\$ 414,527</u>

Depreciation expense for the year ended September 30, 2003 was \$62,171.

A summary of fixed assets as of September 30, 2002 follows:

	<u>Estimated Useful Life</u>	<u>Cost / Basis</u>	<u>Accumulated Depreciation</u>
Land	N/A	\$ 144,230	\$ -
Buildings	25 years	1,053,679	89,027
Building improvements	25 years	57,022	14,943
Furniture & fixtures	7 years	61,654	50,831
Office equipment	5 years	88,504	67,334
Kitchen equipment	7 years	28,514	15,569
Playground equipment	7 years	40,105	22,797
Classroom computer lab	5 years	72,969	69,898
Vehicles	5 years	49,344	32,573
		<u>\$ 1,596,021</u>	<u>\$ 362,972</u>

Depreciation expense for the year ended September 30, 2002 was \$53,942.

(Continued)

Providence House
Notes to Financial Statements
September 30, 2003 and 2002
(Continued)

(9) Unrestricted Net Assets – Board Designated

Included in the unrestricted net assets are amounts designated by the Board for the following:

	<u>2003</u>	<u>2002</u>
Funds received from insurance company designated for repairs to roofing structure	\$ 10,025	\$ 10,025
Funds designated by Board for internal endowment fund	<u>452,820</u>	<u>389,431</u>
	<u>\$ 462,845</u>	<u>\$ 399,456</u>

(10) Temporarily Restricted Net Assets

Temporarily restricted net assets consists of grants and donations received for specific purposes which were not expended as of September 30, 2003 and 2002 and detailed as follows:

	<u>2003</u>	<u>2002</u>
Major gift–operations campaign	\$ 49,010	\$ 56,009
Education Fund	22,535	19,366
Building renovation	1,260,297	236,141
Community Foundation	-	14,910
Uniforms	<u>3,824</u>	<u>25,068</u>
	<u>\$ 1,335,666</u>	<u>\$ 351,494</u>

(11) Contractual Revenue – Grants

Revenues shown as contracts with governmental agencies for the years ended September 30, 2003 and 2002 consist of the following:

	<u>2003</u>	<u>2002</u>
City of Shreveport and Bossier – ESG	\$ 68,331	\$ 72,472
City of Shreveport and Bossier – CDBG	50,717	73,833
FEMA	23,560	21,957
Childrens Trust Fund	20,000	18,333
SAFAH Grant	100,000	58,000
Special Milk Program	-	1,762
U.S. Department of HUD Supportive Housing	238,641	239,669
Children and Adult Care Food Program	65,258	28,708
TANF	785,762	36,528
Child Care Assistance	<u>12,138</u>	<u>-</u>
	<u>\$ 1,364,407</u>	<u>\$ 551,262</u>

(Continued)

Providence House
Notes to Financial Statements
September 30, 2003 and 2002
(Continued)

(12) Accrued Expenses

An analysis of Providence House's accrued expenses at September 30, 2003 and 2002 is as follows:

	2003	2002
Payroll taxes	\$ 9,506	\$ 824
Retirement	26,224	37,128
Salaries and wages	8,059	32,304
	\$ 43,789	\$ 70,256

(13) Leases

Providence House leases certain facilities under operating leases in conjunction with its supportive housing program. The rental costs on these leases for the years ended September 30, 2003 and 2002 were \$102,925 and \$112,863, respectively. As of September 30, 2003, there were no obligations under these lease agreements in excess of one year.

Providence House leases certain office equipment. The rental costs on these leases for the years ended September 30, 2003 and 2002 was \$3,723 and \$866, respectively. As of September 30, 2003, obligations under leases in excess of one year is as follows:

Year Ended	Amount
9/30/04	\$ 4,272
9/30/05	4,272
9/30/06	4,272
9/30/07	3,406
9/30/08	548
	\$ 16,770

(14) Changes In Classifications to September 30, 2002 Financial Statements

Changes were made to the following items as previously reported on the September 30, 2002 financial statements.

- 1) Promises to give of \$50,000 for building renovations were previously shown as a current asset. Those promises receivable were reclassified as other assets – non current.
- 2) Investments in the amount of \$100,000 were previously shown as a current asset. That amount was reclassified as other assets – non-current.
- 3) Promises to give for major gifts–operations and building renovations were reported together. Those promises receivable were reclassified and shown separately.

Providence House
Shreveport, Louisiana
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2003

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Supportive Housing Program	14.235	LA48B902002	\$ 109,412
Supportive Housing Program	14.235	LA48B302011	37,693
Supportive Housing Program	14.235	LA48B002002	91,535
Passed through Shreveport SRO, Inc. Supplemental Assistance for Facilities to Assist the Homeless (SAFAH)	14.235	N/A	100,000
Passed through the City of Shreveport, Emergency Shelter Grants Program Round 29	14.231	N/A	3,108
Round 31	14.231	N/A	23,000
Round 32	14.231	N/A	9,598
Community Development Block Grant	14.218	N/A	35,132
Passed through the City of Bossier City, Emergency Shelter Grants Program Round 31	14.231	N/A	32,626
Community Development Block Grant	14.218	N/A	15,584
<u>U.S. Federal Emergency Management Agency</u> Emergency Food Shelter	83.523	N/A	23,560
<u>U.S. Department of Agriculture</u> Passed through the State of Louisiana, Department of Education Child and Adult Care Food Program	10.558	22-032	65,258

(Continued)

Providence House
 Shreveport, Louisiana
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2003

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Health and Human Services Passed through the State of Louisiana, Office of Community Services Louisiana Childrens Trust Fund	93.672	CFMS #600892 & 5854111	20,000
Passed through the State of Louisiana Department of Social Services	93.558	CFMS #588834	437,269
TANF	93.558	CFMS #606747	37,075
TANF	93.558	CFMS #590285	144,957
TANF	93.558	CFMS #590116	166,461
Total Federal Expenditures			<u>\$ 1,352,268</u>

NOTE: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

COOK & MOREHART

Certified Public Accountants

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MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

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
Providence House
Shreveport, Louisiana

We have audited the financial statements of Providence House as of and for the year ended September 30, 2003, and have issued our report thereon dated March 22, 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 Providence House'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 Providence House'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 operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which we have reported to management of Providence House in a separate management letter dated March 22, 2004.

This report is intended solely for the information and use of management, the Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "Cook & Morehart". The signature is written in black ink and includes a long, sweeping horizontal line that extends to the right of the text.

Cook & Morehart
Certified Public Accountants
March 22, 2004

COOK & MOREHART

Certified Public Accountants

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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

To the Board of Directors
Providence House
Shreveport, Louisiana

Compliance

We have audited the compliance of Providence House 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 September 30, 2003. Providence House's major federal program is 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 Providence House's management. Our responsibility is to express an opinion on Providence House's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Providence House'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 on Providence House's compliance with those requirements.

In our opinion, Providence House complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2003.

Internal Control Over Compliance

The management of Providence House 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 Providence House'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 and use of management, the Board of Directors 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.



Cook & Morehart
Certified Public Accountants
March 22, 2004

Providence House
Summary Schedule of Prior Audit Findings
September 30, 2002

There were no findings or questioned costs for the prior audit period ending September 30, 2002.

Schedule of Findings and Questioned Costs
September 30, 2003

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Providence House.
2. No reportable conditions 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 financial statements of Providence House were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award program 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 auditor's report on compliance for the major federal award program for Providence House expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award program for Providence House reported in Part C. of this Schedule.
7. The program tested as a major program included: 1.) TANF CFDA #93.558.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Providence House qualifies as a low-risk auditee.

B. Findings – Financial Statements Audit: None

C. Findings and Questioned Costs – Major Federal Award Programs Audit: None

Providence House
Summary Schedule of Audit Findings for the
Louisiana Legislative Auditor
September 30, 2003

Summary Schedule of Prior Audit Findings

There were no findings or management letter comments for the prior year ended September 30, 2002.

Corrective Action Plan for Current Year Audit Findings

There are no current year findings or question costs for the year ended September 30, 2003.

The corrective action plan for the management letter comments for the year ended September 30, 2003 are addressed below:

Comment #1: Credit Card Receipts

Providence House will not pay the credit card bill without all receipts attached. The Executive Director will pay particular attention to review the document to insure all receipts are attached at the time of payment.

Comment #2: TANF Reimbursement

The Executive Director will review all billings to insure that we have billed all reimbursements.

COOK & MOREHART

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Management Letter

March 22, 2004

The Board of Directors
Providence House
Shreveport, Louisiana

We have audited the financial statements of Providence House for the year ended September 30, 2003, and have issued our report thereon dated March 22, 2004. In planning and performing our audit of the financial statements of Providence House, we considered its 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.

During our audit the following items were noted involving internal control over financial reporting and other operational matters which appear to merit your attention for consideration to improve the internal control or operations of Providence House. These comments have been discussed with the appropriate members of management.

Comment #1: Credit Card Receipts

During our audit we noted that payments were made on credit cards without matching receipts to the amounts listed on the credit card statements.

We recommend that upon receipt of the credit card statements, that charges listed on the statements be matched to actual receipts before payment is made on the accounts.

Comment #2: TANF Reimbursement

During our audit testing we noted that one week's reimbursement under a TANF contract was not listed – billed for reimbursement causing Providence House to not be reimbursed approximately \$8,975.

We recommend that after preparation of reimbursement reports, someone independent of preparation review the request before submission.

PROVIDENCE HOUSE
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We express sincere thanks to Providence House personnel for the cooperation and assistance provided us during our audit. We are available to provide you assistance and consultation with the above mentioned items. This letter is furnished solely for the use of management, Board of Directors and various funding sources.

A handwritten signature in cursive script, reading "Cook & Morehart", with a long, sweeping horizontal flourish extending to the right.

Cook & Morehart
Certified Public Accountants
March 22, 2004