

Note B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Financial Statement Presentation

In 1996, the Organization adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organization. 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) based upon the existence or absence of donor-imposed restrictions. Accordingly, the Organization has reclassified its financial statements to present classes of net assets. The reclassification had no cumulative effect on the change in net assets for the year ended June 30, 1996.

The Organization also adopted SFAS No. 116, Accounting for Contributions Received and Contributions Made, in 1996. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The adoption had no cumulative effect on net assets at the date of the adoption. In addition, the Organization has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.

Note C - INVESTMENT SECURITIES

Investment securities at June 30, 1996 consist of the following:

Mutual Fund - U.S. Government Obligations Fund	<u>\$38,967</u>
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Cost approximates fair market value at June 30, 1996.

STATEMENT OF EXPENSES BY PROGRAM

Gulf Coast Teaching Family Services, Inc.

For the year ended June 30, 1996

	Personal Care Attendant Hammond Provider #1912913	Respite Hammond Provider #1912921	The Casey Family New Orleans	Respite Lake Charles Provider #1984213	Personal Care Attendant Lake Charles Provider #1984205	Individualized Supported Living Samuel Hamilton Houma DHH #55934	Respite/Care In Home New Orleans DHH/OCDD 55423/000147	TFC Respite M.Ellender Houma TIPS #952115718
Administrative and general	\$ 10,100	\$ 4,684	\$ 114	\$ 165	\$ 1,405	\$ 1,449	\$ 1,708	
Plant operation and maintenance	634	206	(693)					
Cost related to capital assets	3,614	3,601	69					
Dietary	7							
Laundry and linen								
Housekeeping	677	203						
Personal client needs								
Medical and nursing	9,015	4,438	7					
Therapeutic and training	233,261	117,868	1,687	4,369		42,971	44,371	
Recreational								
Consultants			\$ 3,147			2,580	70	
	257,308	131,000	3,147	4,534	781	47,007	46,149	
Administrative costs - allocated	25,123	12,791	492	3,918	156	7,345	9,206	
Totals	\$ 282,431	\$ 143,791	\$ 3,639	\$ 8,452	\$ 937	\$ 54,352	\$ 55,355	

This report is intended for the information of the Board of Directors, management, and others within the Organization, and the State of Louisiana - Department of Health and Hospitals and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
December 13, 1996.

Schedule 1

Received Cash Basis	Federal Financial Assistance		Accrual Basis	Other Revenues	Expenditures
	Accrued/(Deferred)			Accrual Basis	
	6/30/95	6/30/96		Local	
\$ 54,539		\$ 45,373	\$ 99,912 (1)	\$ 1,535	\$ 101,447 (3)
41,917		53,582	95,499	4,599	100,098 (3)
96,456		98,955	195,411	6,134	201,545
86,609		40,649	127,258	780	128,038
25,361		1,267	26,628	4,466	31,094 (4)
111,970		41,916	153,886	5,246	159,132

SCHEDULE OF FEDERAL AWARDS

Gulf Coast Teaching Family Services, Inc.

For the year ended June 30, 1996

Federal Granting Agency Recipient State Agency/ Grant Program	Federal / State Grant Number	Grant Period	Catalog of Federal Domestic Assistance Number
Department of Health and Human Services			
Pass through payments -			
Department of Social Services, State of Louisiana - Office of Community Services.			
Title IV-E, Independent Living:			
Lafayette region	Unknown / DDS#06172	7/1/95 - 6/30/96	93.674
Houma region	Unknown / DDS#06171	7/1/95 - 6/30/96	93.674
Title IV-E, ILP totals			
Department of Health and Hospital			
State of Louisiana - Office of Mental Health, Block grants for Community Mental Health Services:			
In-Home Based Crisis Counseling - Lafayette region	Unknown / DHH#55047	7/1/95 - 6/30/96	93.958
Social Services - Baton Rouge region	Unknown / DHH#54690	7/1/95 - 6/30/96	93.958
CMHS block grant totals			

STATEMENT OF EXPENSES BY PROGRAM

Gulf Coast Teaching Family Services, Inc.

For the year ended June 30, 1996

	Day Care Intensive Training Skills DHH/OCDD 58117/000514	OMH Drop In Center Houma MH-96-3S-151	Supported Living New Orleans DHH/OCDD 55161/000198	Vocational Rehabilitation Hammond LRS Vendor #8886	Department of Corrections Tracker Plus Hammond Contract #403-562-R4	Rehabilitation Option Houma Provider #1977390	Rehabilitation Option New Orleans Provider #1975893	OCDD Start-Up New Orleans DHH/OCDD 57091/00028
Administrative and general	\$ 69	\$ 878	\$ 319	\$ 14,919	\$ 21,670	\$ 4	\$ 1,235	\$ 57
Plant operation and maintenance		5,640		3,392	824			
Cost related to capital assets		770		10,031	1,710			
Dietary		783		73	7			
Laundry and linen								
Housekeeping				1,243	741			
Personal client needs								5,345
Medical and nursing				81				
Therapeutic and training	3,615	6,213	12,319	175,825	50,879	33	25,658	
Recreational		459						
Consultants							450	
	3,684	14,743	12,638	205,564	75,831	37	27,343	5,402
Administrative costs - allocated	576	2,941	1,975	20,071	7,404	7	4,272	844
Totals	\$ 4,260	\$ 17,684	\$ 14,613	\$ 225,635	\$ 83,235	\$ 44	\$ 31,615	\$ 6,246



Bourgeois Bennett

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

To the Board of Directors,
Gulf Coast Teaching Family Services, Inc.,
New Orleans, Louisiana.

We have audited the financial statements of Gulf Coast Teaching Family Services, Inc., (the Organization), a nonprofit corporation, as of and for the year ended June 30, 1996, and have issued our report thereon dated December 13, 1996. We have also audited the Organization's compliance with requirements applicable to major federal programs, and have issued our report thereon dated December 13, 1996.

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

In planning and performing our audit for the year ended June 30, 1996, we considered the internal control structure of the Organization in order to determine our auditing procedures for the purpose of expressing our opinion on the Organization's financial statements and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal award programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated December 13, 1996.

This report is intended for the information of the Board of Directors, management, and others within the Organization, and the State of Louisiana - Department of Health and Hospitals and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Bougeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
December 13, 1996.



Bourgeois Bennett

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

To the Board of Directors,
Gulf Coast Teaching Family Services, Inc.,
New Orleans, Louisiana.

We have audited the financial statements of Gulf Coast Teaching Family Services, Inc., (the Organization), a nonprofit corporation, as of and for the year ended June 30, 1996, and have issued our report thereon dated December 13, 1996.

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

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

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

We noted two immaterial instances of noncompliance that we have reported to the management of the Organization in the accompanying Schedule of Findings and Questioned Costs (Schedule 2).

This report is intended for the information of the Board of Directors, management and others within the Organization, and the State of Louisiana - Department of Health and Hospitals and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Bougeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana
December 13, 1996.

This report is intended for the information of the Board of Directors, management, and others within the Organization, and the State of Louisiana - Department of Health and Hospitals and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Bougeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
December 13, 1996.

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

During the year ended June 30, 1996, the Organization expended 87.31 percent of their total federal awards under major programs.

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

We noted certain matters, which are listed in Schedule 1, involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the Organization's ability to administer the federal award programs in accordance with applicable laws and regulations.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal award program 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 structure policies and procedures used in administering federal awards would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we do not believe the reportable conditions described in Schedule 1 are material weaknesses.



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT ON
SCHEDULE OF FEDERAL AWARDS

To the Board of Directors,
Gulf Coast Teaching Family Services, Inc.,
New Orleans, Louisiana.

We have audited the financial statements of Gulf Coast Teaching Family Services, Inc., (the Organization), a nonprofit corporation, as of and for the year ended June 30, 1996, and have issued our report thereon dated December 13, 1996. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana.
December 13, 1996.

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

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

Accounting

- Cash Receipts
- Cash Disbursements
- Payroll
- Fixed Assets

General Requirements

- Political Activity
- Civil Rights
- Cash Management
- Allowable Costs/Cost Principles
- Drug-Free Workplace
- Administrative Requirements

Specific Requirements

- Matching Requirements
- Types of Services
- Eligibility
- Reporting
- Special Tests and Provisions, if any, (Compliance Supplement)



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH GENERAL REQUIREMENTS APPLICABLE TO FEDERAL AWARD PROGRAMS

To the Board of Directors,
Gulf Coast Teaching Family Services, Inc.,
New Orleans, Louisiana.

We have audited the financial statements of Gulf Coast Teaching Family Services, Inc., (the Organization), a nonprofit corporation, as of and for the year ended June 30, 1996, and have issued our report thereon dated December 13, 1996.

We have applied procedures to test compliance of the Organization with the following requirements applicable to its federal award program, which is identified in the accompanying Schedule of Federal Awards, for the year ended June 30, 1996:

- Political Activity
- Civil Rights
- Cash Management
- Allowable Costs/Cost Principles
- Drug-Free Workplace
- Administrative Requirements

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

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Organization has not complied, in all material respects, with those requirements. However, the results of our procedures disclosed two immaterial instances of noncompliance with those requirements, which is described in the accompanying Schedule of Findings and Questioned Costs (Schedule 2).

In planning and performing our audit of the financial statements of the Organization for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structures, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters, which are listed in Schedule 1, involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the Organization's ability to record, process, summarize, and report financial data in a manner that is consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we do not believe that the reportable conditions described in Schedule 1 are material weaknesses.

This report is intended for the information of the Board of Directors, management and others within the Organization, and the State of Louisiana - Department of Health and Hospitals and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
December 13, 1996.



Bourgeois Bennett

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

To the Board of Directors,
Gulf Coast Teaching Family Services, Inc.,
New Orleans, Louisiana.

We have audited the financial statements of Gulf Coast Teaching Family Services, Inc., (the Organization), a nonprofit corporation, as of and for the year ended June 30, 1996, and have issued our report thereon dated December 13, 1996.

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

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

SPECIAL REPORTS OF INDEPENDENT AUDITOR

STATEMENT OF EXPENSES BY PROGRAM

Gulf Coast Teaching Family Services, Inc.

For the year ended June 30, 1996

	Administrative Costs		General Fund	Totals-Program, Administrative, & General Funds	Unemployment Fund	Totals
	Lafayette	Central Office				
Administrative and general	\$ 196,871	\$ 790,049	\$ 319,689	\$ 2,394,289	\$ 53,199	\$ 2,447,488
Plant operation and maintenance	3,390	2,121	737	131,696		131,696
Cost related to capital assets	24,011	62,477		385,170		385,170
Dietary	1,565	585	10,590	68,494		68,494
Laundry and linen				688		688
Housekeeping				10,417		10,417
Personal client needs			14,863	109,026		109,026
Medical and nursing	140			31,413		31,413
Therapeutic and training				9,154,556		9,154,556
Recreational	375		1,337	26,739		26,739
Consultants				129,414		129,414
	226,352	855,232	347,216	12,441,902	53,199	12,495,101
Administrative costs - allocated	(226,352)	(855,232)	25,431	(3,909)	3,909	(0)
Totals	\$ 0	\$ 0	\$ 372,647	\$ 12,437,993	\$ 57,108	\$ 12,495,101

STATEMENT OF EXPENSES BY PROGRAM

Gulf Coast Teaching Family Services, Inc.

For the year ended June 30, 1996

	West		Resettlement Apt Support Houma MH96-3S-704	Administrative Costs			
	Baton Rouge School Board Baton Rouge	Donald Rogers Houma		Lake Charles	Hammond	Baton Rouge	New Orleans
Administrative and general	\$ 12		\$ 4,034	\$ 11,976	\$ 77,839	\$ 190,961	\$ 119,685
Plant operation and maintenance			465	1,716	3,356	2,255	13,938
Cost related to capital assets			\$ 26,397	718	27,869	52,476	46,969
Dietary			33	143	100	1,676	1,874
Laundry and linen							
Housekeeping				460	31		
Personal client needs			25				223
Medical and nursing					128	(14)	
Therapeutic and training	605	\$ 42					
Recreational				62		(250)	
Consultants							600
	617	42	4,557	15,075	109,323	247,104	183,289
Administrative costs - allocated	91	8	(4,557)	(15,075)	(109,323)	(247,104)	(183,289)
Totals	\$ 708	\$ 50	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

STATEMENT OF EXPENSES BY PROGRAM

Gulf Coast Teaching Family Services, Inc.

For the year ended June 30, 1996

	Substitute Family Care New Orleans Provider #1920002	Special Respite C.Herbert Houma DHH #56790	S.Burton Baton Rouge DHH/OCDD #57274/000364	OMH Flex Fund Houma MH-96-3S-152	VR Mobile Crew Lafayette	Respite Houma DHH/OCDD 55118/060202	OCDD M. Smith Houma DHH #57458	Supported Living Apartments Jefferson Parish JPHSA #298
Administrative and general	\$ 9	\$ 64	\$ 415	\$ 3,426	\$ 4,062	\$ 200	\$ 3	\$ 37
Plant operation and maintenance			18,056	5,646	408	929		
Cost related to capital assets								
Dietary				406				
Laundry and linen								
Housekeeping								
Personal client needs			5,967	2,109				
Medical and nursing								
Therapeutic and training		2,901	15,599	87	21,666	9,754	1,373	2,220
Recreational								
Consultants	<u>2,379</u>			<u>625</u>				
	2,388	2,965	40,037	12,299	26,136	10,883	1,376	2,257
Administrative costs - allocated	<u>374</u>	<u>591</u>	<u>5,885</u>	<u>2,453</u>	<u>3,779</u>	<u>2,171</u>	<u>275</u>	<u>353</u>
Totals	<u>\$ 2,762</u>	<u>\$ 3,556</u>	<u>\$ 45,922</u>	<u>\$ 14,752</u>	<u>\$ 29,915</u>	<u>\$ 13,054</u>	<u>\$ 1,651</u>	<u>\$ 2,610</u>



Bourgeois Bennett

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

To the Board of Directors,
Gulf Coast Teaching Family Services, Inc.,
New Orleans, Louisiana.

We have audited the financial statements of Gulf Coast Teaching Family Services, Inc., (the Organization), a nonprofit corporation, as of and for the year ended June 30, 1996, and have issued our report thereon dated December 13, 1996.

We have also audited compliance of the Organization with the requirements governing matching; types of services; eligibility; reporting; and special tests and provisions that are applicable to its major award federal programs, which are identified in the accompanying Schedule of Federal Awards for the year ended June 30, 1996. The management of the Organization is responsible for the Organization's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Institutions. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to in the second paragraph occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Organization complied, in all material respects, with the specific requirements referred to in the second paragraph that are applicable to its major federal award programs for the year ended June 30, 1996.

NOTES TO SCHEDULE OF FEDERAL AWARDS

Gulf Coast Teaching Family Services, Inc.

June 30, 1996

Note 1 - SCOPE OF AUDIT PURSUANT TO THE GOVERNMENT AUDITING STANDARDS ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES AND OMB CIRCULAR A-133

All Federal grant awards of the Gulf Coast Teaching Family Services, Inc. are included in the scope of OMB Circular A-133. The United States Department of Health and Human Services is the Organization's cognizant federal audit Agency and the Louisiana State Department of Health and Hospitals is the state cognizant audit Agency for the single audit. Funds received from the United States Department of Health and Human Services are passed through the Louisiana State Department of Health and Hospitals and the Department of Social Services. Funds received from the Department of Health and Hospitals and the Department of Social Services are on a cost reimbursement and per-diem/fee for service basis. The expenditures reported are for the major programs Title IV-E, Independent Living and Block Grants for Community Mental Health Services and nonmajor Social Services Block Grant programs for the year ended June 30, 1996.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards has been prepared on the accrual basis of accounting. Accrued revenue at year end represents entitlements not yet received.

Note 3 - FINDING OF NONCOMPLIANCE

Findings of noncompliance are disclosed in the Schedule of Findings and Questioned Costs (Schedule 2). The potential reimbursement effect of these findings is not ascertainable.

Note E - NOTES PAYABLE (Continued)

The maturities of the notes payable are as follows:

<u>Year Ending June 30,</u>	
1997	\$17,236
1998	6,591
1999	<u>6,590</u>
Total	<u>\$30,417</u>

Note F - MORTGAGE NOTE PAYABLE

The mortgage note payable is secured by land and building costing \$111,311. The interest expense for the year ended June 30, 1996 totaled \$7,435.

On August 29, 1995, the Organization renegotiated a new mortgage note payable on the balloon payment that was due. The balance of \$90,318 is being paid in sixty monthly installments of \$1,941 including interest at 10.5% with a final installment due August 10, 2000.

The maturities for the renegotiated mortgage note payable are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1997	\$15,812	\$ 7,484	\$23,296
1998	17,554	5,741	23,295
1999	19,489	3,807	23,296
2000	21,632	1,663	23,295
2001	<u>3,854</u>	<u>52</u>	<u>3,906</u>
Totals	<u>\$78,341</u>	<u>\$18,747</u>	<u>\$97,088</u>



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Gulf Coast Teaching Family Services, Inc.,
New Orleans, Louisiana.

We have audited the accompanying statement of financial position of Gulf Coast Teaching Family Services, Inc., a nonprofit corporation, as of June 30, 1996, and the related statements of activities, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of Gulf Coast Teaching Family Services, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gulf Coast Teaching Family Services, Inc. as of June 30, 1996, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental financial information listed in the table of contents is presented for the purpose of additional analysis 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.

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June 30, 1996

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Financial Report

Gulf Coast Teaching Family Services, Inc.

June 30, 1996

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

Release Date FEB 5 1997

STATEMENT OF FINANCIAL POSITION**Gulf Coast Teaching Family Services, Inc.**

June 30, 1996

ASSETS**Current Assets**

Cash and cash equivalents		\$ 335,694
Investment securities		38,967
Receivable:		
Grants	\$ 1,310,230	
Other	4,009	1,314,239
Prepaid expenses		29,828
Total current assets		1,718,728

Property and Equipment - at Cost

Land	20,000	
Building and improvements	97,836	
Leasehold improvements	13,984	
Furniture and equipment	213,475	
Transportation equipment	129,871	
Leased equipment under capitalized leases	62,184	
	537,350	
Less accumulated depreciation and amortization	272,391	264,959

Deposits

		640
Total assets		\$ 1,984,327

LIABILITIES AND NET ASSETS**Current Liabilities**

Current portion of notes payable	\$ 17,236
Current portion of mortgage note payable	15,812
Accounts payable and accrued liabilities	808,213
Total current liabilities	841,261

Long-Term Liabilities

Notes payable, less current portion	13,181
Mortgage note payable, less current portion	62,529
Total liabilities	916,971

Commitments (Note G)**Net Assets - Unrestricted**

	-
Total liabilities and net assets	1,067,356
	\$ 1,984,327

See notes to financial statements.

**Schedule 1
(Continued)**

Received Cash Basis	Federal Financial Assistance		Accrual Basis	Other Revenues	Expenditures
	Accrued/(Deferred)			Accrual Basis	
	6/30/95	6/30/96		Local	
13,204		7,577	20,781 (2)		\$ 20,781 (3)
22,960		7,040	30,000		25,981 (4)
36,164		14,617	50,781		46,762
<u>\$ 244,590</u>	<u>\$ -0-</u>	<u>\$ 155,488</u>	<u>\$ 400,078</u>	<u>\$ 11,380</u>	<u>\$ 407,439</u>

STATEMENT OF ACTIVITIES

Gulf Coast Teaching Family Services, Inc.

For the year ended June 30, 1996

Revenue

Grant appropriations	\$ 12,479,181
Other	55,916
Write-off prior year uncollected revenue	(92,139)
Total revenue	<u>12,442,958</u>

Expenses

Administrative and general	2,447,488
Plant operation and maintenance	131,696
Cost related to capital assets	385,170
Dietary	68,494
Laundry and linen	688
Housekeeping	10,417
Personal client needs	109,026
Medical and nursing	31,413
Therapeutic and training	9,154,556
Recreational	26,739
Consultants	129,414
Total expenses	<u>12,495,101</u>

Decrease in Net Assets

\$ (52,143)

See notes to financial statements.

SCHEDULE OF REPORTABLE CONDITIONS

Gulf Coast Teaching Family Services, Inc.

For the year ended June 30, 1996

1. Cash

Condition - Cash accounts were not being reconciled timely.

Recommendation - To assure the cash accounts reflected on the general ledger are accurate and properly safeguarded, we recommend the cash accounts be reconciled monthly to the bank statements.

Response - Cash accounts are now being reconciled monthly and this finding had been resolved.

2. Receivables - Collections

Condition - As of June 30, 1996, the Organization had grant receivables totaling \$1,310,230. The delay in collecting these amounts has created a cash flow problem for the Organization.

Recommendation - We recommend the Organization formulate written collection procedures for management to follow in the collection of overdue accounts.

Response - The Organization is currently in the process of reorganizing the accounting department. Collection procedures will be documented and practiced by management. Staffing levels in the accounts receivable area will be increased to implement these procedures.

3. Travel Advances

Condition - Travel advances were not being submitted timely during the year. They are currently being submitted on a timely basis.

Response - This finding has been resolved.

SCHEDULE OF REPORTABLE CONDITIONS - (Continued)

Gulf Coast Teaching Family Services, Inc.

For the year ended June 30, 1996

4. Other Liabilities

Condition - As of June 30, 1996, the Organization maintains a parent reimbursable liability account totaling \$221. This account is primarily a clearing account of reimbursements paid by the State of Louisiana to the parents with the Organization acting as a fiscal agent. This account is now reconciled.

Response - This finding has been resolved.

5. Vendor 1099's

Condition - The Organization's EDP system captures transactions with vendors that are recorded as accounts payable and paid through their operating account. Some vendor payments are being made by the regional offices from their petty cash accounts and are reflected as an expense and petty cash reimbursement rather than as accounts payable transactions. These are not a part of the vendor's history when 1099's are prepared.

Recommendation - We recommend the Organization immediately adopt and implement policies and procedures prohibiting disbursement by the regions from petty cash to any vendor who may require a 1099, under Internal Revenue statues. It is further recommended that a review of all petty cash payments made in 1996 be initiated immediately to assure all reportable amounts for applicable vendors are included on their 1099's for 1996.

Response - Vendor payments through petty cash will be reviewed and included in the Vendor Payments list for all reportable amounts to be included in applicable 1099's for 1996. Vendors will be paid through the central office accounts payable department beginning January 1, 1997. Restrictions will be placed on petty cash accounts. No disbursements will be allowed out of petty cash for 1099 type vendors or transactions.

SCHEDULE OF REPORTABLE CONDITIONS - (Continued)

Gulf Coast Teaching Family Services, Inc.

For the year ended June 30, 1996

6. Computer Software

Condition - Present software packages do not include all the necessary controls to ensure the integrity of data being processed. We noted several instances in which carryforward totals were changed without a detail trail to follow and where data was apparently lost when the system was interrupted. The system is slow in processing data.

Recommendation - We understand that management has been evaluating software packages. The new software package should be installed as soon as possible.

Response - Evaluation and selection of software is in progress.

7. Computer Backup System

Condition - The computer system data is maintained on a parallel system. However, no offsite backup of the system was being maintained.

Recommendation - We have noted that a tape backup of the system was implemented upon our bringing this to management's attention and is being maintained offsite on a current basis. We recommend formal policies and procedures be developed for the continued maintenance and storage of backup for all data systems offsite on a current basis.

Response - Policies and procedures will be documented and implemented for storage of all offsite data system backup storage.

SCHEDULE OF REPORTABLE CONDITIONS - (Continued)

Gulf Coast Teaching Family Services, Inc.

For the year ended June 30, 1996

8. Payroll

Condition - The payroll clerk prepares the payroll and controls the check signing machine.

Recommendation - We recommend control of the check signing machine be maintained by an employee who does not record transactions.

Response - Control of the check signing machine will be maintained by the Director of Finance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS**Gulf Coast Teaching Family Services, Inc.**

For the year ended June 30, 1996

<u>Grant Program</u>	<u>Findings</u>	<u>Questioned Costs</u>
Independent Living Program DSS#06172	<p>Finding - Costs billed for the program exceed the program costs audited. The Organization has recorded this overpayment as a liability at June 30, 1996.</p> <p>Recommendation - This overpayment should be offset against current year program billings or refunded to the funding agency.</p> <p>Response - This amount will be offset against the program billings</p>	\$382
Social Services Block Grants DSS#06110	<p>Finding - Costs billed for the program exceed the program cost audited. The Organization has recorded this overpayment as a liability at June 30, 1996.</p> <p>Recommendation - The overpayment should be offset against current year program billings or refunded to the funding agency.</p> <p>Response - This amount will be offset against the program billings.</p>	\$278

STATUS OF AUDIT FINDINGS

Gulf Coast Teaching Family Services, Inc.

June 30, 1996

The prior audit of the Organization included several findings and recommendations. The current status of the prior report findings are as follows.

CURRENT

<u>Prior Audit Findings</u>	<u>Resolved</u>	<u>Unresolved</u>	<u>Current Findings No.</u>
1. Cash	X		1.
2. Receivables - Collections		X	2.
3. Travel Advances	X		3.
4. Other Liabilities	X		4.
5. Payroll Tax Deposits	X		-
6. Board of Directors	X		-
7. Related Party Transactions	X		-

Federal Granting Agency Recipient State Agency/ Grant Program	Federal / State Grant Number	Grant Period	Catalog of Federal Domestic Assistance Number
Department of Health and Human Services			
Pass through payments - Continued			
Department of Social Services, State of Louisiana - Office of Social Community Services.			
Social Services Block Grant:			
Foster Parent Training - Lafayette region	Unknown / DSS#06110	7/1/95/-6/30/96	93.667
Parent Training - Lafayette region	Unknown / DSS#06109	7/1/95/-6/30/96	93.667
Social services block grant total			
Total federal financial assistance			

- (1) Amounts billed during the year ended June 30, 1996 exceeded the final billable costs for this contract in the amount of \$382.
- (2) Amounts billed during the year ended June 30, 1996 exceeded the final billable costs for this contract in the amount of \$278.
- (3) Independent Living Program contracts require a match of Program B funds by Gulf Coast Teaching Family Services, Inc. of an equal amount. This match is provided through in-kind services. These services are reported to the funding agency on monthly billings, however, they are not recorded in the accounting records nor are they included in the revenues and expenditures on this schedule. During the year ended June 30, 1996 in-kind services provided as match were: Lafayette \$21,964 and Houma \$44,749.
- (4) These contracts are for a negotiated per diem or fee for service method of payment rather than on a costs reimbursement basis.

Note J - CONCENTRATIONS OF CREDIT RISK

State law requires that deposits of all political subdivisions be fully collateralized at all times. Acceptable collateralizations includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. The Organization, being a quasi-public nonprofit entity, is required to comply with these regulations. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision. At various times during the year, deposits in excess of FDIC insurance were collateralized by the securities described above.

Note K - HEALTH CARE PLAN

The Organization sponsors a partially insured health care plan covering full-time employees. The Organization's contributions and costs are determined annually by a third-party administrator. The costs recognized by the Organization for the year ended June 30, 1996 totaled \$352,038.

Effective October 1, 1996, the Organization converted from the partially insured to a fully insured health care plan.

Note L - UNEMPLOYMENT INSURANCE FUND

Effective July 1, 1992, the Organization became self-insured for employee unemployment compensation claims through the establishment of an Organization unemployment insurance fund.

Contributions of \$25,533 were made from program funds to the unemployment insurance fund which is accounted for as revenue of the unemployment insurance fund and an expense of the related program. The unemployment insurance fund reimburses the general fund for all direct and indirect costs in administering the program and transfers all interest income earned on unemployment insurance funds to the general fund.

All known claims as of June 30, 1996 have been recorded in the financial statements. The fund balance of the Unemployment Insurance Fund totaled \$56,671 as of June 30, 1996. The Unemployment Insurance fund balance is included in net assets - unrestricted for financial statement presentation.

STATEMENT OF EXPENSES BY PROGRAM

Gulf Coast Teaching Family Services, Inc.

For the year ended June 30, 1996

	OMH Respite Baton Rouge #MH96-2S-091	Respite Darrell Cooper Patient's Compensation Fund Lafayette	Respite Baton Rouge Provider #1912921	Personal Care Attendant Baton Rouge Provider #1912913	Kid's Camp Houma	Supervised Independent Living Title XIX Baton Rouge Provider #1912930	OCS Foster Parent Training Lafayette DSS/OCS 06110/01402	Personal Care Attendant Houma Provider #1935166
Administrative and general	\$ 513	\$ 2,733	\$ 21,718	\$ 41,523	\$ 2,029	\$ 17,840	\$ 2,297	\$ 21,552
Plant operation and maintenance	16		3,200	3,506	609	823		1,898
Cost related to capital assets		513	44	236	476	13		291
Dietary			26	(66)	48	(41)	750	139
Laundry and linen								
Housekeeping			29	67		22		
Personal client needs	118	250				305		(219)
Medical and nursing			998	1,734		82		2,025
Therapeutic and training	3,171	79,025	309,969	685,649	2,114	130,575	67	419,547
Recreational					411			733
Consultants	4,935		324	452	102		15,042	385
	8,753	82,521	336,308	733,101	5,789	149,619	18,156	446,351
Administrative costs - allocated	1,287	11,932	49,437	107,766	1,155	21,994	2,625	89,037
Totals	\$ 10,040	\$ 94,453	\$ 385,745	\$ 840,867	\$ 6,944	\$ 171,613	\$ 20,781	\$ 535,388

STATEMENT OF EXPENSES BY PROGRAM

Gulf Coast Teaching Family Services, Inc.

For the year ended June 30, 1996

	Personal Care Attendant Baton Rouge LRS	Department of Corrections Tracking New Orleans Contract #403-559-4	Department of Corrections Parenting Education Program Houma Contract #403-588-R4	Vocational Rehabilitation LRS	OMH In Home Crisis Lafayette #MH-96-4S-199	Respite New Orleans Provider #1910694	Personal Care Attendant New Orleans Provider #1910686
Administrative and general	\$ 97	\$ 21,379	\$ 20,367	\$ 19,313	\$ 14,590	\$ 16,060	\$ 26,954
Plant operation and maintenance			514			1,767	2,642
Cost related to capital assets			479	4,969	3,145	5,542	8,313
Dietary			2,383			167	260
Laundry and linen							
Housekeeping						769	918
Personal client needs		50	847	127	257		
Medical and nursing						701	456
Therapeutic and training	4,559	155,219	88,751	160,191	92,861	395,572	712,109
Recreational		1,744	520		971		21
Consultants		500	2,050		39	24,224	7,612
	4,656	178,892	115,911	184,600	111,863	444,802	759,285
Administrative costs - allocated	684	27,952	23,122	26,693	16,175	69,502	118,639
Totals	\$ 5,340	\$ 206,844	\$ 139,033	\$ 211,293	\$ 128,038	\$ 514,304	\$ 877,924

STATEMENT OF EXPENSES BY PROGRAM

Gulf Coast Teaching Family Services, Inc.

For the year ended June 30, 1996

	Supported Employment Lafayette LRS	OMR Apartment Program Lafayette DHH/OCDD 55463/000107	Forever Families New Orleans TIPS #020025366	Supervised Apartment Program OMH-Lafayette #MH96-4S-193	Regular Foster Care Baton Rouge TIPS #020008014	Regular Foster Care Lafayette TIPS #020008015	Regular Foster Care Houma TIPS #020015894	Regular Foster Care New Orleans TIPS #010007819
Administrative and general		\$ 8,304	\$ 21,881	\$ 1,914	\$ 13,000	\$ 3,258	\$ 4,015	\$ 18,108
Plant operation and maintenance	\$ 299	156	50	3,735				28
Cost related to capital assets		2,485	9,756	2,105	84	1,573		7,235
Dietary				48	908		13	
Laundry and linen								
Housekeeping					22			
Personal client needs		1,990	4,381	17,878	5,447	2,346	2,456	13,733
Medical and nursing		37			118	60		191
Therapeutic and training		45,980	472,996	12,995	256,210	88,613	126,124	557,554
Recreational		35	322			1,535		82
Consultants			4,325					2,911
	299	58,987	513,711	34,892	278,664	98,293	132,608	599,842
Administrative costs - allocated	43	8,529	80,277	5,045	40,964	14,213	26,452	93,737
Totals	\$ 342	\$ 67,516	\$ 593,988	\$ 39,937	\$ 319,628	\$ 112,506	\$ 159,060	\$ 693,579

STATEMENT OF EXPENSES BY PROGRAM

Gulf Coast Teaching Family Services, Inc.

For the year ended June 30, 1996

	Trappey Community Home Lafayette Provider #1718106	Amelia Community Home New Orleans Provider #1716928	Rehabilitation Option Lafayette Provider #1973084	Independent Living Program Lafayette DSS/OCS 06172/01432	Independent Living Program Houma DSS/OCS 06171/01433	Department Of Public Safety And Corrections DOC #403-581-R4	Children's Assertive Treatment Program Houma	OMH Respite Houma MH #96-3S-671
Administrative and general	\$ 42,487	\$ 39,558	\$ 8,796	\$ 11,591	\$ 6,800	\$ 9,049	\$ 735	\$ 20
Plant operation and maintenance	22,875	11,498	621	207	3,645	24		
Cost related to capital assets	17,283	20,076	2,153	2,105	9,756	4,473		
Dietary	29,798	6,937			975	3,564		
Laundry and linen	688							
Housekeeping	3,542	1,693						
Personal client needs	5,229	2,253	(80)	159		4,239		
Medical and nursing	3,480	1,238				424		
Therapeutic and training	120,023	117,533	120,059	68,269	61,851	174,445	862	
Recreational	2,752	1,146	168	6,300	424	652		
Consultants	3,145	9,702	3,363			19	4,035	\$ 310
	251,302	211,634	135,080	88,631	83,451	196,889	5,632	310
Administrative costs - allocated	36,337	33,068	19,532	12,816	16,647	30,070	1,123	62
Totals	\$ 287,639	\$ 244,702	\$ 154,612	\$ 101,447	\$ 100,098	\$ 226,959	\$ 6,755	\$ 372

COMBINED STATEMENT OF EXPENSES BY FUND**Gulf Coast Teaching Family Services, Inc.**

For the year ended June 30, 1996

	Totals-Program, Administrative, & General Funds	Unemployment Fund	Total
Administrative and general	\$ 2,394,289	\$ 53,199	\$ 2,447,488
Plant operation and maintenance	131,696		131,696
Cost related to capital assets	385,170		385,170
Dietary	68,494		68,494
Laundry and linen	688		688
Housekeeping	10,417		10,417
Personal client needs	109,026		109,026
Medical and nursing	31,413		31,413
Therapeutic and training	9,154,556		9,154,556
Recreational	26,739		26,739
Consultants	129,414		129,414
Totals	<u>\$ 12,441,902</u>	<u>\$ 53,199</u>	<u>\$ 12,495,101</u>

In accordance with Government Auditing Standards, we have also issued a report dated December 13, 1996 on our consideration of the Organization's internal control structure and a report dated December 13, 1996 on its compliance with laws and regulations.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana
December 13, 1996.

Note M - CASH FLOW INFORMATION

Cash paid during the year ended June 30, 1996 for interest totaled \$14,873.

Note N - ECONOMIC DEPENDENCY

The Organization receives a majority of its revenue from funds provided through grants administered by the State of Louisiana. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are effected at the federal and/or state level, the amount of the funds the Organization receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Organization will receive in the next fiscal year.

Note O - ALLOCATED COSTS

The Organization allocated administrative costs of the central and regional offices in the amount of \$1,640,932 to the various programs it administered during the year ended June 30, 1996.

STATEMENT OF EXPENSES BY PROGRAM

Gulf Coast Teaching Family Services, Inc.

For the year ended June 30, 1996

	Respite Houma Provider #1935158	Emergency Respite Jefferson Parish JPHSA #228	Supported Living Program Houma MH-96-3S-507	Personal Care Attendant Lafayette Provider #1910384	Respite Lafayette Provider #1934119	Case Management New Orleans Provider #1958956	Supervised Independent Living Program Title XIX Houma Provider #1930377	Vance Manning New Orleans
Administrative and general	\$ 10,225	\$ 1,516	\$ 10,239	\$ 64,931	\$ 39,611	\$ 1,957	\$ 5,485	\$ 562
Plant operation and maintenance			2,087				9	
Cost related to capital assets	291	64		6,736	5,474	329		
Dietary		22	906	25	26			
Laundry and linen								
Housekeeping								
Personal client needs		6	10,824	1,493	1,503		10	
Medical and nursing	1,146	19	75	1,964	1,861			
Therapeutic and training	261,440	26,843	97,427	932,347	480,355	19,351	142,933	24,754
Recreational			3,412	201	65			
Consultants	75	12,220	3,265	381	381	1,300		
	273,177	40,690	128,235	1,008,078	529,276	22,937	148,437	25,316
Administrative costs - allocated	54,493	6,358	25,580	145,768	76,533	3,584	29,610	3,956
Totals	\$ 327,670	\$ 47,048	\$ 153,815	\$ 1,153,846	\$ 605,809	\$ 26,521	\$ 178,047	\$ 29,272

Note G - COMMITMENTS

The Organization leases facilities and equipment under operating leases expiring through the year 2000. Rental expense related to these leases was \$270,862 for the year ended June 30, 1996. Minimum future rental payments due under these leases as of June 30, 1996 are as follows:

Year Ending <u>June 30,</u>	
1997	\$183,948
1998	116,429
1999	28,023
2000	<u>1,575</u>
Total	<u>\$329,975</u>

Management expects that in the normal course of business, leases will be renewed or replaced by other leases.

Note H - PENSION PLAN

The Organization has a defined contribution pension plan covering substantially all of its full-time and part-time employees. There were no contributions for the year ended June 30, 1996.

Note I - INCOME TAXES

The Organization is exempt from corporate income taxes under Section 501 (c)(3) of the Internal Revenue Code.

Note D - GRANTS RECEIVABLE

Grants receivable consists of reimbursements for expenses incurred or revenue earned on fee for service and per-diem contracts. Grants receivable consists of the following as of June 30, 1996:

State of Louisiana:		
Department of Public Safety and Corrections	\$	89,281
Office of Mental Health		188,398
Office of Community Services		304,384
Office of Citizens with Developmental Disabilities		695,315
Louisiana Rehabilitation Services		14,237
Other:		
Private		<u>18,615</u>
Total		<u><u>\$1,310,230</u></u>

Note E - NOTES PAYABLE

Notes payable consists of the following at June 30, 1996:

Note payable - short term: 11.50% annual interest; payable in monthly installments of \$3,617 including interest; final payment due October, 1996.	\$10,645
Equipment obligation: 15.5% annual interest; payable in monthly installments of \$549 including interest; final payment due June, 1999.	<u>19,772</u>
Total	<u><u>\$30,417</u></u>

The equipment obligations are secured by equipment costing \$26,362. The interest expense on notes payable was \$4,543 for the year ended June 30, 1996.

Note B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Depreciation and Amortization (Continued)

are amortized over the lives of the respective leases or the service lives of the improvements, whichever is shorter. Leased property under capital leases is amortized over the lives of the respective leases or over the service lives of the assets for those leases which substantially transfer ownership. The straight-line method of depreciation is followed for substantially all assets. Depreciation and amortization expenses totaled \$71,647 for the year ended June 30, 1996.

4. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash on hand and demand deposits to be cash equivalents.

5. Receivables

The Organization considers accounts receivable to be fully collectible since the balance consists principally of payments due under governmental contracts. If amounts become uncollectible, they will be charged to operations when that determination is made.

6. Capital Leases

For financial reporting, the Organization has capitalized certain leased equipment. The balance sheet reflects all capitalized lease equipment as assets. As of June 30, 1996, all related capital leases have expired and accordingly, there are no capital lease obligations.

7. Grants

Grants earned under reimbursement type contracts are recorded as revenues in the appropriate program when the related expenses are incurred.

Grants earned on fee for service and per-diem contracts are recorded as revenues when services are provided.

NOTES TO FINANCIAL STATEMENTS**Gulf Coast Teaching Family Services, Inc.**

June 30, 1996

Note A - ORGANIZATION

Gulf Coast Teaching Family Services, Inc. is a nonprofit corporation organized exclusively for charitable, religious, educational and scientific purposes. The Organization maintains group homes, child and family centers and other related programs for the youth and their families and provides a program which will give the young people and their families an opportunity to become normalized, independent, productive and respected citizens of the community. These services are provided in the South Louisiana area.

Note B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies used in the preparation of the accompanying financial statements follows:

1. Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

2. 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.

3. Depreciation and Amortization

Property and equipment are recorded at historical cost. Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Leasehold improvements

STATEMENT OF CASH FLOWS**Gulf Coast Teaching Family Services, Inc.**

For the year ended June 30, 1996

Cash Flows From Operating Activities

Decrease in net assets	\$ (52,143)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	71,647
Amortization of prepaid interest relating to capitalized leases	166
Changes in assets and liabilities:	
Decrease in grants receivable	137,663
Decrease in other receivables	11,185
Decrease in prepaid expenses	10,026
Increase in accounts payable and accrued liabilities	166,542
Net cash provided by operating activities	345,086

Cash Flows From Investing Activities

Increase in investments, net	(1,939)
Purchase of property and equipment	(90,535)
Net cash used in investing activities	(92,474)

Cash Flows From Financing Activities

Proceeds from notes payable	31,043
Principal payments under notes payable	(36,471)
Principal payments under mortgage note payable	(12,388)
Principal payments under capitalized lease obligations	(4,191)
Net cash used in financing activities	(22,007)

Net Increase In Cash and Cash Equivalents	230,605
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Cash and Cash Equivalents

Beginning of year	105,089
End of year	\$ 335,694

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS**Gulf Coast Teaching Family Services, Inc.**

For the year ended June 30, 1996

Net assets, beginning of year	\$ 1,119,499
Decrease in net assets	<u>(52,143)</u>
Net assets, end of year	<u>\$ 1,067,356</u>

See notes to financial statements.

SUPPLEMENTAL INFORMATION