

GRACE HOUSE OF NEW ORLEANS, INC.
STATUS OF PRIOR YEAR AUDIT FINDING
December 31, 1996

There were no audit findings contained in the audit report for the year ended December 30, 1995.

John C. Todd, Jr., C.P.A., C.F.A.

A PROFESSIONAL ACCOUNTING CORPORATION
NEW ORLEANS OFFICE
NEW ORLEANS, LOUISIANA 70112
TELEPHONE: 524-8800-8807

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL AWARDED PROGRAM TRANSACTIONS

Board of Directors
Grace House of New Orleans, Inc.

I have audited the financial statements of Grace House of New Orleans, Inc. (a nonprofit corporation) as of and for the year ended December 31, 1990, and have issued my report thereon dated June 13, 1991.

In connection with my audit of the financial statements of Grace House of New Orleans, Inc., and with my consideration of the Corporation's control structure used to administer federal programs, as required by Office of Management and Budget Circular A-133, "Audit of Institutions of Higher Education and Other Nonprofit Institutions", I selected certain transactions applicable to the nonmajor program for the year ended December 31, 1990, as required by Circular A-133. I have performed auditing procedures to test compliance with the requirements-governing types of services allowed or disallowed applicable to these transactions. My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Grace House of New Orleans, Inc.'s compliance with these requirements. Accordingly, I do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to my attention that caused me to believe that Grace House of New Orleans, Inc. had not complied, in all material respects, with those requirements.

This report is intended for the information of management, federal, state and city audit agencies and the Legislative Auditors of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.



Metairie, Louisiana
June 13, 1991

John C. Todd, Jr., C.P.A., F.S.A.

A PROFESSIONAL ACCOUNTING CORPORATION
408 LAKE STREET METairie, LOUISIANA 70002
TELEPHONE: 836-5015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL AWARD PROGRAMS

Board of Directors,

Grace House of New Orleans, Inc.

I have audited the financial statements of Grace House of New Orleans, Inc. (a non-profit corporation) as of and for the year ended December 31, 1986, and have issued my report thereon dated June 13, 1987.

I have applied procedures to test Grace House of New Orleans, Inc.'s compliance with the following requirements applicable to its federal award programs, which are identified in the accompanying Schedule of Federal Awards, for the year ended December 31, 1986.

The general requirements are as follows:

- Political activity
- Civil rights
- Cash management
- Financial reports
- Allowable cost/expense principles
- Drug-Free Workplace Act
- Administrative Requirements

My procedures were limited to the applicable provisions described in the Office of Management and Budget's "Compliance Supplement for Audit of Educational Institutions and Other Nonprofit Institutions." My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Grace House of New Orleans, Inc.'s compliance with the requirements listed in the preceding paragraph. Accordingly, I do not express such an opinion.

With respect to the items tested, the results of my 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 my attention that caused me to believe that Grace House of New Orleans, Inc. had not complied, in all material respects, with those requirements.

This report is intended for the information of management, federal, state and city audit agencies and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.



Metairie, Louisiana
June 13, 1987

John C. Todd, Jr., C.P.A. PC

A PROFESSIONAL ACCOUNTING CORPORATION
401 PINE STREET METairie, LOUISIANA 70002
MEMBERSHIP: July 25, 1997

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

Board of Directors
Grace House of New Orleans, Inc.

I have audited the financial statements of Grace House of New Orleans, Inc. (a non-profit corporation) as of and for the year ended December 31, 1996, and have issued my report thereon dated June 13, 1997.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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

The results of my tests disclose no instance of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of management, federal, state and city audit agencies and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.



Metairie, Louisiana
June 13, 1997

- Other liabilities
- Net assets
- Governmental financial assistance programs

GENERAL REQUIREMENTS

- Political activity
- Civil rights
- Cash management
- Financial reports
- Allowable-cost/allowable-principle
- Drug-free Workplace Act
- Administrative requirements

SPECIFIC REQUIREMENTS

- Types of service allowed or restricted
- Cost allocation
- Claims for advances and reimbursements

For all of the internal control structure categories listed above, I obtained an understanding of the design of system policies and procedures and whether they have been placed in operation, and I assessed control risk.

During the year ended December 31, 1996, Grace House of New Orleans, Inc. expended \$308 of its total federal awards under various federal award programs (Held Housing Services for Unaccompanied Women, Innovative Homeless Project, Emergency Shelter Program, Housing Opportunities for Persons with Aids Program, Health Care for the Homeless, Long Term Residential Treatment, HIV Emergency Relief Grant, Target Cities Program and Emergency Food and Shelter Program).

I performed tests of controls, as required by OIGD Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that I considered relevant to preventing or detecting material non-compliance with specific requirements, general requirements and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to each of the Corporation's major federal award programs, which are identified in the accompanying schedule of federal awards. My procedures were less in scope than would be necessary to render an opinion on these internal structure policies and procedures. Accordingly, I do not express such an opinion.

My 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 constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. 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 non-compliance with laws and regulations that would be material to a 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. I stated my opinion involving the internal control structure and its operation that I considered to be material weaknesses in defined above.

This report is intended for the information of management, federal, state and city audit agencies and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

Monroe, Louisiana
June 13, 1997

John C. Todd, Jr., C.P.A., INC.
A PROFESSIONAL ACCOUNTING CORPORATION
400 LAFAYETTE STREET NEW ORLEANS, LOUISIANA 70002
TELEPHONE: 524-0170

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

Board of Directors
Grace House of New Orleans, Inc.

I have audited the financial statements of Grace House of New Orleans, Inc. as non-profit corporation as of and for the year ended December 31, 1996, and have issued my report thereon dated June 13, 1997. I have also audited the Corporation's compliance with requirements applicable to major federal programs and have issued my report thereon dated June 13, 1997.

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

In planning and performing my audit for the year ended December 31, 1996, I considered the internal control structure of Grace House of New Orleans, Inc. in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements of Grace House of New Orleans, Inc. 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 my consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal award programs. I have addressed policies and procedures relevant to my audit of the financial statements in a separate report dated June 13, 1997.

The management of Grace House of New Orleans, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments 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 recorded in accordance with management's authorizations 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, some, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure in 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, I have classified the significant internal control structure policies and procedures used in administering federal programs in the following categories:

- Cash
- Support, receivables, and receipts
- Expenses for program, supporting services and accounts payable
- Payroll and related liabilities
- Property and equipment

John L. Todd, Jr., C.S.A., CPA

A PROFESSIONAL ACCOUNTING CORPORATION
8001 LAKE DRIVE I
BAY LAKE, LOUISIANA 70814
TELEPHONE: 225-837-8107

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN ALERT BY FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Grace House of New Orleans, Inc.

I have audited the financial statements of Grace House of New Orleans, Inc. (a non-profit corporation) as of and for the year ended December 31, 1996 and have issued my report thereon dated June 13, 1997.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Grace House of New Orleans, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling that responsibility, estimates and judgments 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.

In planning and performing my audit of the financial statements of Grace House of New Orleans, Inc. for the year ended December 31, 1996, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. 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. I noted no matters involving the internal structure and its operations that I consider to be material weaknesses as defined above.

This report is intended for the information of management, federal, state and city audit agencies and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

Shreveport, Louisiana
June 13, 1997



GRACE HOUSE OF NEW ORLEANS, INC.

SCHEDULE OF FEDERAL AWARDS

For the year ended December 31, 1986

Program Title	Federal CFDA Number	Disbursement/ Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
<i>Miscellaneous programs</i>		
Funds passed through Unity for the Homeless Steven H. McKinney Foundation Assistance Act Housing Services for Homeless Unaccompanied Women	14.214	\$ 16,750
Funds passed through Unity for the Homeless Innovative Homeless Project	14.214	39,400
Funds passed through the City of New Orleans Steven H. McKinney Foundation Assistance Act Emergency Shelter Program	14.211	8,804
Aids Housing Opportunity Act Housing Opportunities for Persons with Aids Project	14.211	32,800
Health Care for the Homeless		10,000
Total U.S. Department of Housing and Urban Development		106,754
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Funds passed through the City of New Orleans Department of Health - Ryan White Comprehensive HIV/AIDS Health Planning Council - HIV Emergency Relief Grant Program	95.116	40,291
Funds passed through the State of Louisiana Department of Health and Hospitals - Office of Alcohol and Drug Abuse Target Cities Program	95.196	61,826
Long Term Residential Treatment Program	95.899	51,821
Total U.S. Department of Health and Human Services		153,938
Federal Emergency Management Agency Funds passed through the United Way of Greater New Orleans Emergency Food and Shelter Program	60.521	5,126
Total Federal awards		\$ 310,722

John C. Todd, Jr., C.P.A., D.C.

A PROFESSIONAL ACCOUNTING CORPORATION
401 LAKE STREET, SUITE 1, SUITE 1000
TELEPHONE: 225-387-0247

INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL AWARDS

Board of Directors
Grace House of New Orleans, Inc.

I have audited the financial statements of Grace House of New Orleans, Inc. (a nonprofit corporation) as of and for the year ended December 31, 1996 and have issued my report thereon dated June 13, 1997. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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, "Standards for Institutions of Higher Education and Other Non-Profit Institutions." These standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

My audit was made for the purpose of forming an opinion on the basic financial statements of Grace House of New Orleans, Inc. taken as a whole. The accompanying Schedule of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly presented in all material aspects in relation to the basic financial statements taken as a whole.



Metairie, Louisiana
June 13, 1997

GRACE HOUSE OF NEW ORLEANS, INC.
STATEMENT OF EXPENDITURES -
HEALTHCARE FOR THE HOMELESS PROGRAM

For the year ended December 31, 1998

City of New Orleans

January 1, 1998
through
December 31, 1998

Contract services

\$ 35,000

GRACE HOUSE OF NEW ORLEANS, INC.

STATEMENT OF EXPENDITURES ..
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS

For the year ended December 31, 1998

City of New Orleans

HOHWA PROJECT
0000

Personnel services	\$ 21,110
Contractual services	<u> 8,227</u>
	<u>\$ 29,337</u>

GRACE HOUSE OF NEW ORLEANS, INC.

STATEMENT OF EXPENDITURES -- HYPVARD'S HEALTH CARE PROGRAM

For the year ended December 31, 1996

	City of New Orleans	
	Supplemental Funds April 4, 1995 through April 3, 1996	Voucher Funds December 4, 1995 through December 3, 1996
Service	\$ 7,449	\$ 30,791
Support	<u>18,600</u>	<u>1</u>
	<u>\$ 26,049</u>	<u>\$ 30,792</u>

GRACE HOUSE OF NEW ORLEANS, INC.

STATEMENT OF EXPENDITURES-- EMERGENCY SHELTER GRANT PROGRAM

For the year ended December 31, 1996

City of New Orleans

Grant USC - 4146

June 1, 1995

through

May 31, 1996

Salaries (general services)
Contractual services

\$ 18,247

5,373

\$ 23,620

GRACE HOUSE OF NEW ORLEANS, INC.

SCHEDULE OF REVENUE AND EXPENSES BY PROGRAM

For the year ended December 31, 1998

	Agency Total	Supporting Services Management and General	Program Services	Other
REVENUE				
Board generated self support	\$ 155,211	\$ 155,211	\$ -	\$ -
Client generated self support	15,582	-	15,582	-
Government grants/contracts	298,562	-	298,562	-
Other revenue	— 328	— 328	-	-
Total self generated revenue	449,183	158,841	314,114	-
United Way designation	8,888	-	8,888	-
CDC Designation	— 328	-	— 328	-
Total revenue	458,369	158,841	323,330	-
United Way allocation	— 23,820	-	— 23,820	-
Grand total revenue	434,549	158,841	309,510	-
EXPENSES				
Computation expenses	148,805	67,380	181,520	-
Occupancy expense	48,468	1,998	78,678	-
Travel and transportation expenses	1,456	315	1,355	-
Specific activities	2,314	-	3,314	-
Board generated self support expenses	9,839	9,839	-	-
Other direct program/support expenses	94,996	29,471	68,520	18,179
Other	— 18,232	-	-	— 18,232
Grand total expenses	312,336	108,003	289,123	18,179
Increase in net assets	— 123,113	— 50,660	— 80,020	— 114,230
Depreciation	\$ 8,340	\$ 8,340	\$ -	\$ -

SUPPLEMENTAL INFORMATION

GRACE HOUSE OF NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1998

NOTE F - INCOME TAXES

The corporation is exempt from corporate income taxes under Section 501(c)(22) of the Internal Revenue Code.

NOTE G - CASH FLOW INFORMATION

For the year ended December 31, 1998, the corporation paid interest in the amount of \$26,152.

NOTE H - BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

NOTE I - ECONOMIC DEPENDENCY

The Corporation receives a majority of its revenue from funds provided through grants administered by the State of Louisiana and the City of New Orleans. The grant amounts are appropriated each year by the federal government. If significant budget cuts are effected at the federal level, the amount of the funds the corporation 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 corporation will receive in the next fiscal year.

GRACE HOMES OF NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1996

NOTE C - NOTES PAYABLE - CONTINUED -

- Interest expense for the year ended December 31, 1996 totaled \$28,132. Of this amount \$18,379 represented interest paid on the mortgage note in 1996 on building, land and improvements occupied by Grace Homes of New Orleans, Inc.'s clients in January, 1997.

NOTE D - SUMMARY OF FUNDING

Grace Homes of New Orleans, Inc. funding for grants and contracts consist of the following:

Grants	Period	Revenue Recognized
Emergency Food Shelter Program		1
State Long Term Residential Treatment Program	1/1/96-6/30/96	49,289
	7/1/96-12/31/96	59,523
Health Care for the Homeless	1/1/96-12/31/96	19,899
Innovative Homeless Project	1/1/96-6/30/96	15,894
	7/1/96-12/31/96	13,402
HRF-Emergency Shelter Grant	1/1/96-6/30/96	800
	1/1/96-12/31/96	59,791
Target Cities Program	1/1/96-6/30/96	52,617
	7/1/96-12/31/96	29,839
Housing Services for Homeless Unaccompanied Women	1/1/96-12/31/96	14,739
Housing Opportunities for Persons with AIDS	1/1/96-12/31/96	19,669
Emergency Shelter Grant Program	1/1/96-5/31/96	3,884
		<u>\$1,284,562</u>

NOTE E - COMMITMENT

The rental expense for the cooperation totaled \$24,887 for the year ended December 31, 1996.

GRACE HOUSE OF NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1998

NOTE B - GRANT RECEIVABLE

The grant receivable at December 31, 1998 consists of the following:

State of Louisiana - Department of Health and Hospitals - Office of Alcohol and Drug Abuse	\$ 6,000
City of New Orleans - Office of Health Policy and Public Funding	13,110
City of New Orleans - Health Care for the Homeless	2,500
Unity for the Homeless	3,020
	<u>\$24,630</u>

NOTE C - NOTES PAYABLE

1. Mortgage

Mortgage note payable is monthly installments of \$1,685 (principal and interest), interest at the rate of 8% with balloon payment in September, 2004 in the amount of \$204,761. Note collateralized by building, land and improvements located at 9401 Delcambre Street in New Orleans, Louisiana.

The aggregate maturities of the notes at December 31 are as follows:

Year Ended	Amount
1997	\$ 1,980
1998	2,314
1999	2,580
2000	2,714
2001	2,890
Subsequent to year 2001	218,753
	<u>\$237,231</u>

Banks

Bank line of credit, interest at the rate of 9.125%	\$ 10,000
Bank line of credit, interest at the rate of 9.50%	15,000
	<u>\$ 25,000</u>

Other

Chattel mortgage (4.5% note payable in 36 installments of \$56, final payment due April 1, 1999).

The aggregate maturities of the notes payable is as follows:

Period	Amount
January 1, 1997 - April 1, 1999	3,328

UNION TRUST COMPANY OF NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1996

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. **Property and Equipment**

Depreciation is provided for its assets sufficient to reflect the cost of depreciable assets in operations over their estimated service lives, principally on the straight-line method. Depreciation expense for the year ended December 31, 1996 totaled \$6,340.

It is the policy of the corporation to capitalize all property, furniture, and equipment with an acquisition cost in excess of \$1,000.

5. **Receivables**

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

6. **Cash Equivalents**

For purposes of the statement of cash flows, the corporation considers all investments with original maturities of three months or less to be cash equivalents.

7. **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 these estimates.

8. **Total Columns of Condensed Statements - Overview**

Total columns are captioned "Management Only" to indicate that they are prepared only to assist with financial analysis. Data in these columns do not present financial position, results of operations or changes in net assets in conformity with generally accepted accounting principles. Neither is such data comparable to a reconciliation.

GRACE HOUSE OF NEW ORLEANS, INC.

INDEX TO FINANCIAL STATEMENTS

December 31, 1998

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the corporation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Organization

Grace House of New Orleans, Inc. is a non-profit corporation providing long-term residential treatment for alcoholic and chronically dependent persons.

The corporation is supported primarily through grants. Approximately 65% of the corporation's support for the year ended December 31, 1998 came from these grants.

2. Presentation of Financial Statements

The accompanying financial statements are presented on the accrual basis of accounting. For December 31, 1998, the corporation has implemented the new disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth in the Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made". In accordance with SFAS 116, contributions received are recorded as unrestricted, temporarily restricted, and permanently restricted support, depending on the existence or nature of any donor restrictions.

For December 31, 1998, the corporation has also implemented the new disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth in the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations," dated June 1993. Accordingly, the net assets of the corporation are reclassified in parent the following classes: (a) unrestricted net assets, and (b) temporarily restricted net assets. This reclassification had the effect of reclassifying the prior year deferred revenues of \$133,708 in an increase in beginning temporarily restricted net assets.

Net assets of the restricted class are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

3. Revenue Recognition

For financial reporting, the corporation recognizes all unrestricted support as income in the period received. Restricted support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified as unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

GRACE HOUSE OF NEW ORLEANS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 1996

	Grace House of New Orleans, Inc. Programs	Support Services Management and General	Other	Totals	
				Memorandum	
				1996	1995
Compensation expenses	\$ 881,523	\$ 60,280	-	\$ 941,803	\$ 215,290
Occupancy	38,470	3,598	-	41,868	48,840
Taxes	1,320	203	-	1,496	1,391
Specific assistance	1,314	-	-	1,314	1,574
Board personnel self support	-	5,809	-	5,809	5,415
Other direct program expenses	68,520	16,471	-	84,990	74,565
Other expenses (Note C)	-	-	18,129	18,129	-
Total expenses before Depreciation	291,259	86,881	18,129	417,635	357,715
Depreciation	-	6,280	-	6,280	8,061
Total expenses	\$ 291,259	\$ 93,161	\$ 18,129	\$ 423,915	\$ 365,776

The accompanying notes are an integral part of this financial statement.

GRACE HOMES OF NEW ORLEANS, INC.

STATEMENT OF CASH FLOWS

For the year ended December 31, 1996

Increase (Decrease) in cash and cash equivalents

Cash flows from operating activities:

Increase in net assets \$ 30,896

Adjustments to reconcile increase in net assets

to net cash provided by operating activities:

Depreciation \$ 6,340

Changes in assets and liabilities:

Decrease in grants receivable 96,760

Decrease in prepaid expenses and deposits 142,848

Increase in accounts payable and accrued liabilities 11,291 296,739

Net cash provided by operating activities 377,676

Cash flows from financing activities:

Proceeds from note - mortgage 250,000

Proceeds from note - bank 150,000

Principal payments on note payable - mortgage = 2,500

Principal payments on note payable - bank = 75,000

Principal payments on notes payable - other 1,000

Net cash provided by financing activities 361,500 739,176

Cash flows from investing activities:

Purchase of land and building = 417,000

Capital improvements to building = 254,860

Net cash used in investing activities = 671,860 67,316

Net decrease in cash and cash equivalents = 11,676

Cash and cash equivalents, beginning of year 28,992

Cash and cash equivalents, end of year \$ 17,316

GRACE HOUSE OF NEW ORLEANS, INC.

STATEMENT OF ACTIVITIES

For the year ended December 31, 1976

	Unrestricted	Temporarily Restricted	Total Memberships Only For the year ended	
			December 31, 1976	December 31, 1975
PUBLIC SUPPORT AND DONATIONS				
Public support				
Contributions	\$ 14,337	\$ 183,659	\$ 197,996	\$ 234,889
United Way	-	36,506	36,506	25,007
Fundations	18,289	-	18,289	14,562
Total public support	32,626	220,165	252,791	274,458
REVENUES				
Program service fees	15,562	-	15,562	26,877
Fees and grants from governmental agencies	-	294,560	294,560	527,154
Other revenue	820	-	820	1,189
Total revenues	16,382	294,560	310,942	555,220
Net Assets Returned from Exercisions	(623,258)	(623,258)	-	-
Total public support and revenues	(606,876)	3,902	(602,974)	(331,637)
EXPENSES				
Program services	283,116	-	283,116	294,183
Support services				
Management and general	112,344	-	112,344	89,871
Other (Note C)	18,229	-	18,229	-
Total expenses	(613,729)	-	(613,729)	(413,954)
Income in net assets	49,896	3,902	53,798	141,667
Net assets, beginning of year	(623,118)	-	(623,118)	(351,611)
Net assets, end of year	(573,222)	3,902	(569,320)	(210,044)

The accompanying notes are an integral part of this financial statement.

GLACE BROS OF NEW ORLEANS, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 1996

ASSETS

Cash		\$ 8,300
Accounts receivable (Note A5 and B)		31,700
Prepaid expenses and deposits		5,401
Building, improvements, land and equipment (Note A4)		
Building	\$ 304,800	
Building improvements	304,251	
Equipment	48,800	
	641,037	
Less accumulated depreciation	(271,518)	
	369,519	
Land	123,800	738,298
Total assets		<u>\$ 1,114,299</u>

LIABILITIES AND NET ASSETS

Notes payable		
Mortgage (Note C)	\$ 221,350	
Bank (Note C)	50,000	
Other (Note C)	508	271,858
Accounts payable and accrued liabilities		26,049
Total liabilities		347,907
Net assets		
Unsecured	861,778	
Temporarily restricted	1,589	863,367
Total liabilities and net assets		<u>\$ 1,114,299</u>

The accompanying notes are an integral part of this financial statement.

John C. Todd, Jr., C.P.A., P.A.
A PROFESSIONAL ACCOUNTING CORPORATION
401 LAFAYETTE
METairie, LOUISIANA 70002
TELEPHONE: (504) 887-0007

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Grace House of New Orleans, Inc.

I have audited the accompanying statements of financial position of Grace House of New Orleans, Inc. (a nonprofit corporation) as of December 31, 1996, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of Grace House of New Orleans, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grace House of New Orleans, Inc. as of December 31, 1996, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 8, in the financial statements, in 1996 the Corporation changed its method of accounting for contributions, and its method of financial reporting and financial statement presentation.

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information listed in the table of contents is prepared for purposes of additional analysis and is not a required part of the basic financial statements of Grace House of New Orleans, Inc. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, I have also issued a report dated June 13, 1997, on my examination of Grace House of New Orleans, Inc.'s internal control structure and a report dated June 13, 1997 on its compliance with laws and regulations.



Metairie, Louisiana
June 13, 1997

GRACE HOUSE OF NEW ORLEANS, INC.

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GRACK BROS INC OF NEW ORLEANS, INC.

FINANCIAL STATEMENTS
AND

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

DECEMBER 31, 1966

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: APR 30 1967