This report is intended for the information of the Board of Directors, management, the U. S. Department of Housing and Urban Development Emergency Shelter Grant Program, the Louisiana Legislative Auditor's Office and the local Boards of United Way and F.E.M.A. However, this report is a matter of public record, and its distribution is not limited.

Moore & Rolfes

Moore & Rolfes
Lafayette, Louisiana
December 10, 1996

FAITH HOUSE, INC.

SCHEDULE A - FEDERAL AWARDS

Year Ended August 31, 1996

Federal Grantor/ Program Title		Federal CFDA Number	Grant Award	Cumulative Costs Incurred	Unexpended Funds on Unexpended Grants
U.S. Department of H.U.D./ Community Development Block Grant		14.231	$ 19,400	$ 16,533	$ 2,867
U.S. Department of H.U.D./ Emergency Shelter Grant		14.231 **	$ 46,500	$ 29,080	$ 17,420
United Way F.E.M.A/ Emergency Food & Shelter Program		83.523	$ 10,143	$ 10,143	$ -
State of Louisiana Governor's Office of Women's Services/ Family Violence Program		93.671 *	$ 21,938	$ 21,938	$ -
U.S. Department of Justice/ Louisiana Commission on Law Enforcement/Crime Victims' Assistance		16.575	$ 20,623	$ 18,905	$ 1,718
Total Federal Awards			$ 118,604		

* Federal portion only

** Two overlapping grants:

1994 - 96	$ 22,500
1995 - 97	24,000
	$ 46,500

See accompanying notes to financial statements.

balance was $80,000. Monthly payments of $772 are paid to the mortgager, including interest at 10%. Cumulative principal payments of $42,267 have reduced the balance to $37,733 as of August 31, 1996.

NOTE H - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor/grantor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors/grantors. Total amount released from restrictions during the year was $319,233.

NOTE I - SUBSEQUENT EVENTS

Subsequent to the balance sheet date but before the release of this audit report, management entered into a one-year lease agreement effective October 1, 1996 for the use of a building as administrative offices. The monthly rental cost is $525 and the lessee (Faith House) is required to pay all utilities and trash pickup. The lessor is responsible for all maintenance and repairs.

Concluded

NOTE D - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a program basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The statement of functional expenses gives a more detailed breakdown of the various expense categories for both program and supporting services by their natural accounting categories.

NOTE E - DONATED MATERIALS AND SERVICES

Donated materials and services received by Faith House comprise a small portion of total receipts. These donated materials and services are then used by Faith House in rendering services provided to recipients. In some circumstances, it is appropriate to value such donations received and used, and reflect the receipt and use of donated services and the receipt and use of donated materials in the financial statements. See changes required by SFAS 116 in Footnote B for donated services.

Donated materials and services are reflected as contributions and services provided in the accompanying statements at their estimated values, when the new criteria of SFAS 116 are met. In the current year, there were no donations of long-lived assets, and no donated services met the criteria of SFAS 116. See Supporting Schedule B for unrecognized contributed services.

NOTE F - DEBT SERVICE REQUIREMENTS - MORTGAGE PAYABLE

The following maturities, excluding interest, are due over the next five fiscal years on long-term debt:

		Shelter Building Mortgage
Year ended August 31,	1997	$ 5,755
	1998	6,357
	1999	7,021
	2000	7,756
	2001	8,566
2002 and thereafter		2,278
		$ 37,733

NOTE G - MORTGAGE NOTES PAYABLE

Shelter Building

Faith House purchased the shelter building in 1986, and the seller owner-financed the land and building. The original mortgage

Continued

Vacation and Sick Leave

Vacation and sick leave are recorded as expenses of the period in which paid. Vacation must be taken in the year accrued and can not be carried over. Sick leave is accumulated by employees at a rate dependent on years of employment. Although sick leave is available for employees when needed, it does not vest nor is it payable at termination of employment. Therefore, no liability has been recorded in the accounts as of August 31, 1996.

Other Matters

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

As a not-for-profit organization, Faith House pays no state or federal income tax as a 501(c) (3) organization.

NOTE B - CONTRIBUTED SERVICES

Effective for the fiscal year ended August 31, 1996, Faith House has begun the application of the new accounting standards as prescribed by SFAS 116 and 117. Accordingly, contributed services of volunteers shall only be recognized in the statement of activities if the services received: a) create or enhance nonfinancial assets (land, buildings, etc.) or b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. Faith House received a significant amount of donated services from unpaid volunteers. Such services include volunteer hours contributed at the shelter, at the administrative offices, or the Board of Directors, etc. Although such donated services do not meet the aforementioned criteria for recognition in the financial statements, they provide a significant impact on the success of the Organization's programs.

Donated facilities are considered contributed assets and not services, and, when material, are recognized in the statement of activities at the fair market value as both revenue and expense in the period it is received and used.

NOTE C - ACCRUED EXPENSES / ACCOUNTS PAYABLE

Accrued expenses consists of accrued payroll and payroll taxes of $5,739 and accounts payable to vendors of $7,555.

Continued

nature of any donor restrictions. Under SFAS 116, contributions other than "exchange contract" revenue are now required to be reported as unrestricted or temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction or expenditure of the funds. In effect, the recognition of this as support occurs at the receipt of the award, regardless of when the money is spent, unless it is in the nature of an "exchange contract" for services rendered. For the year ended August 31, 1996, the cumulative effect of this change was $11,706.

Accounting for Restricted/Unrestricted Support

Faith House reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use or timing of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Faith House reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Faith House reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Property and Equipment and Depreciation

Faith House follows the practice of capitalizing (at cost) all major expenditures for property and equipment; the fair market value of donated assets is similarly capitalized and the donation recorded as restricted or unrestricted support as described above. Depreciation and amortization of furniture, equipment and buildings are computed using the straight-line method over useful lives of five to twenty-five years.

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.

Continued

	Unrestricted	Temporarily Restricted	Total
Expenses:			
Program services	$ 301,514	$ -	$ 301,514
Depreciation expense	14,686	-	14,686
Total program services expenses	316,200	-	316,200
Supporting services:			
Management and general	61,636	-	61,636
Fundraising expenses	4,570	-	4,570
Total supporting services	66,206	-	66,206
Total expenses	382,406	-	382,406
Change in net assets before effects of change in accounting principles	36,219	-	133,776
Cumulative effect of change in accounting principles (Note A)	11,706	-	11,706
Change in net assets	47,925	97,557	145,482
Net assets, beginning of year	226,884	26,719	253,603
Net assets, end of year	$ 274,809	$ 124,276	$ 399,085

See accompanying notes to financial statements.

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INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL STRUCTURE BASED ON AN
AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Faith House, Inc.
Lafayette, Louisiana

We have audited the financial statements of Faith House, Inc. (Faith House) (a not-for-profit corporation) as of and for the year ended August 31, 1996, and have issued our report thereon dated December 10, 1996.

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 OMB Circular A-133, "Audits of Institutions of Higher Education and Other Non-Profit 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.

The management of Faith House 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, 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 operations of policies and procedures may deteriorate.

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FAITH HOUSE, INC.

Management Letter

August 31, 1996

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANTS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Faith House, Inc.
Lafayette, Louisiana

We have audited the financial statements of Faith House, Inc. (Faith House) (a not-for-profit corporation) as of and for the year ended August 31, 1996, and have issued our report thereon dated December 10, 1996.

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 OMB Circular A-133, "Audits of Institutions of Higher Education and Other Non-Profit 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.

Compliance with laws, regulations, contracts, and grants applicable to Faith House is the responsibility of Faith House's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Faith House'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 indicate that, with respect to the items tested, Faith House complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Faith House had not complied, in all material respects, with those provisions.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Faith House taken as a whole. The accompanying Schedule of Federal Awards for the year ended August 31, 1996, 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 procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 1996, on our consideration of Faith House's internal control structure and a report dated December 10, 1996, on its compliance with laws and regulations.

Moore & Rolfes

Moore & Rolfes
Lafayette, Louisiana
December 10, 1996

FAITH HOUSE, INC.

STATEMENT OF CASH FLOWS

Year Ended August 31, 1996

Cash flows from operating activities:	
Increase in net assets	$ 145,482
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	14,686
(Increase) in grants receivable	(64,937)
Increase in accounts payable and accrued expenses	8,377
Increase in deferred revenue	40,778
Net cash provided by operating activities	144,386
Cash flows from investing activities:	
Purchase of furniture & equipment	(9,632)
Purchase of leasehold improvements	(15,844)
Net cash used by investing activities	(25,476)
Cash flows from financing activities:	
Payments on long-term debt	(6,029)
Net cash used by financing activities	(6,029)
Net increase in cash and cash equivalents	112,881
Cash & cash equivalents at beginning of year	48,578
Cash & cash equivalents at end of year	$ 161,459

See accompanying notes to financial statements.

FAITH HOUSE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 1996

	Program Services	Supporting Services	Total Expenses
Expenses			
Advertising	$ 395	$ -	$ 395
Bank charges	-	455	455
Business express	19	-	19
Contract labor	6,992	-	6,992
Client expenses	4,414	-	4,414
Contract services	5,888	-	5,888
Depreciation	14,686	-	14,686
Dues and subscriptions	1,368	-	1,368
Fund raising expenses	-	4,570	4,570
Insurance - group medical	16,995	5,665	22,660
Insurance - general	2,221	-	2,221
Interest expense	4,007	-	4,007
Legal and accounting	-	2,991	2,991
Library and videos	1,889	-	1,889
Laundry and cleaning	1,599	-	1,599
Maintenance and repairs	5,078	-	5,078
Miscellaneous	2,682	-	2,682
Office supplies	3,010	3,010	6,020
Outside training	1,760	-	1,760
Payroll taxes	17,830	3,914	21,744
Postage	1,660	1,106	2,766
Printing	2,619	655	3,274
Rent - outreach	2,400	-	2,400
Salaries and wages	191,082	41,945	233,027
Supplies	4,774	-	4,774
Telephone	6,785	754	7,539
Trash disposal	1,834	-	1,834
Travel	3,940	-	3,940
Utilities	10,273	1,141	11,414
Total expenses	$ 316,200	$ 66,206	$ 382,406

See accompanying notes to financial statements.

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INDEPENDENT AUDITORS' COMBINED REPORT
ON THE BASIC FINANCIAL STATEMENTS AND
THE SCHEDULE OF FEDERAL AWARDS

To the Board of Directors
Faith House, Inc.
Lafayette, Louisiana

We have audited the accompanying statement of financial position of Faith House, Inc. (Faith House) (a not-for-profit corporation) as of August 31, 1996, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of Faith House'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Faith House as of August 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 A to the financial statements, for fiscal year ended August 31, 1996, Faith House changed its method of accounting for contributions and its method of financial reporting and financial statement presentation.

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FAITH HOUSE, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

August 31, 1996

In planning and performing our audit of the financial statements of Faith House for the year ended August 31, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, 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 assurance on the internal control structure. Accordingly, we do not express such an opinion.

We noted one matter involving the internal control structure and its operation that we consider to be a reportable condition 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 judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

During the fiscal year ended August 31, 1996, the Organization maintained a separate "Special Projects" bank account. This account was only maintained for a short period of time and then closed. The account was used to deposit monies derived from fundraising and to pay for needs of the women's shelter, e.g. bedding, furniture, etc. Several invoices supporting purchased items could not be located. Additionally, although all other Organization bank accounts require two signatures, this account only required one signature.

As indicated, the Organization has corrected this problem and closed the account. The Executive Director has advised the auditors that the use of such an account in the future will not occur, but that all fundraising support and expenditures will flow through the Organization's existing operating account, under the control of the chief accountant and the executive director.

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 believe none of the reportable conditions described above is a material weakness.

Legislative Auditor's Office, and the local Boards of United Way and F.E.M.A. However, this report is a matter of public record and its distribution is not limited.

Moore & Rolfes

Moore & Rolfes
Lafayette, Louisiana
December 10, 1996

We also noted other matters involving the internal control structure and its operation that we have reported to the management of Faith House, Inc. in a separate management letter dated December 10, 1996.

This report is intended for the information of the Board of Directors, management, the U. S. Department of Housing and Urban Development Emergency Shelter Grant Program, the Louisiana Legislative Auditor's Office, and the local Boards of United Way and F.E.M.A. However, this report is a matter of public record, and its distribution is not limited.

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Moore & Rolfes
Lafayette, Louisiana
December 10, 1996

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INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH SPECIFIC REQUIREMENTS
APPLICABLE TO NONMAJOR PROGRAM TRANSACTIONS

To the Board of Directors
Faith House, Inc.
Lafayette, Louisiana

We have audited the financial statements of Faith House, Inc. (Faith House) (a not-for-profit corporation) as of and for the year ended August 31, 1996, and have issued our report thereon dated December 10, 1996.

In connection with our audit of the financial statements of Faith House and with our consideration of Faith House's internal control structure used to administer federal programs, as required by Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions", we selected certain transactions applicable to certain nonmajor federal programs for the year ended August 31, 1996. As required by OMB Circular A-133, we performed auditing procedures to test compliance with the requirements governing allowable costs and services, eligibility, financial reports and claims for advances and reimbursements that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Faith House's compliance with these requirements. 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 preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Faith House had not complied, in all material respects, with those requirements.

This report is intended for the information of the Board of Directors, management, the U.S. Department of Housing and Urban Development Emergency Shelter Grant Program, the Louisiana Legislative Auditor's Office, and the local Boards of the United Way and F.E.M.A. However, this report is a matter of public record and its distribution is not limited.

Moore & Rolfes

Moore & Rolfes
Lafayette, Louisiana
December 10, 1996

SUPPLEMENTAL INFORMATION

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INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH GENERAL REQUIREMENTS

To the Board of Directors
Faith House, Inc.
Lafayette, Louisiana

We have audited the financial statements of Faith House, Inc. (Faith House) (a not-for-profit corporation) as of and for the year ended August 31, 1996, and have issued our report thereon dated December 10, 1996.

We have applied procedures to test Faith House's compliance with the following requirements applicable to its federal programs, which are identified in the accompanying schedule of federal awards for the year ended August 31, 1996: political activity, Davis-Bacon Act, civil rights, cash management, federal financial reports, allowable costs, drug-free workplace, and 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 Non-Profit Institutions*. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Faith House'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 Faith House has not complied, in all material respects, with those requirements.

This report is intended for the information of the Board of Directors, management, the U.S. Department of Housing and Urban Development Emergency Shelter Grant Program, the Louisiana

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To the Management and
Board of Directors
Faith House, Inc.

In planning and performing our audit of the financial statements of Faith House, Inc. for the year ended August 31, 1996, we considered the Organization's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. (We previously reported on the Organization's internal control structure in our report dated December 10, 1996.) This letter does not affect our report dated December 10, 1996, or the financial statements of Faith House, Inc.

We will review the status of these comments during our next auditing engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Bank Operating Account

While testing the bank reconciliation for the operating account, we noted that approximately $3,800 of checks listed as outstanding (seventeen checks) were originally dated prior to August 31, 1995, and were thus over one year outstanding. Upon additional investigation, we determined that all these items should be restored to the bank account. So that the bank account is reported accurately, all checks outstanding for over sixty days should be investigated as to their status and if warranted journal entries prepared to restore them to the bank account.

Property, Plant and Equipment

While analyzing the repairs and maintenance accounts and the office supplies accounts, we noted approximately $7,000 of items

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE IN ACCORDANCE WITH OMB CIRCULAR A-133 - FEDERAL AWARDS

To the Board of Directors
Faith House, Inc.
Lafayette, Louisiana

We have audited the financial statements of Faith House, Inc. (Faith House) (a not-for-profit corporation) as of and for the year ended August 31, 1996, and have issued our report thereon dated December 10, 1996.

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 Non-Profit 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.

In planning and performing our audit for the year ended August 31, 1996, we considered the internal control structure of Faith House in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements of Faith House 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 programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated December 10, 1996.

The management of Faith House 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 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:

<u>Accounting Controls</u>

Revenue and support, cash receipts and grants receivable
Purchases, cash disbursements and accounts payable
Payroll, payroll taxes and employee benefits

<u>Administrative Controls</u>

<u>General Requirements</u>	<u>Specific Requirements</u>
Political Activity	Allowable costs/services
Davis-Beacon Act	Eligibility
Civil Rights	Claims for reimbursement
Cash management	Federal financial reports
Federal financial reports	
Drug-Free Workplace Act	
Allowable costs/cost principles	
Administrative requirements	

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

During the year ended August 31, 1996, Faith House had no major programs and expended 100% of its federal awards under the following programs:

United Way F.E.M.A. - Emergency Food & Shelter Grant
H.U.D. - Community Development Block Grant
H.U.D. - Emergency Shelter Grant
U. S. Dept. of Justice - Crime Victims Assistance Program

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 aforementioned nonmajor programs. 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.

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 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 noncompliance with laws and regulations that would be material to a federal awards program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Directors, management, the U.S. Department of Housing and Urban Development Emergency Shelter Grant Program, the Louisiana Legislative Auditor's Office, and the local Boards of United Way and F.E.M.A. However, this report is a matter of public record, and its distribution is not limited.

Moore + Rolfes

Moore & Rolfes
Lafayette, Louisiana
December 10, 1996

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses (Note C)	$ 13,294	
Deferred revenue (Note A)	40,778	
Current portion of long-term debt (Notes F, G)	5,755	
Total current liabilities		$ 59,827
LONG-TERM LIABILITIES		
Mortgage notes payable - net of current portion (Notes F, G)	31,978	
Total long-term liabilities		31,978
Total liabilities		91,805
NET ASSETS (Note A)		
Unrestricted		
Operating fund	69,492	
Plant fund	205,317	
Temporarily restricted	124,276	
Total net assets		399,085
TOTAL LIABILITIES AND NET ASSETS		$ 490,890

See accompanying notes to financial statements.

June, 1996 billing from the insurance company. The amount not withheld amounts to approximately $200. Management explained that due to switching companies, the amount of premiums to be withheld from the employees' checks was not known in May for the June billing. As of the date of this report, the amounts have still not been withheld. This appears to be an isolated incident due to the changing of insurance carriers, however, the board should determine whether or not the Organization will withhold this amount due the Organization from employees.

Workers' Compensation

When analyzing workers' compensation insurance, we noted that in several instances the workers' compensation self-reporting forms were incorrectly completed, resulting in an underpayment of approximately $2,000 for the year ending August 31, 1996. We have adjusted the financial statements to reflect this liability. These errors occurred when a former bookkeeper was employed. The current bookkeeper has made the necessary corrections and is completing the forms correctly at this time.

Coding to General Ledger Accounts

During our audit, we noticed several instances of disbursements and deposits being coded incorrectly or inconsistently, resulting in a misclassification of an expense or revenue/support. It appears the majority of these miscodings occurred prior to the hiring of the current bookkeeper, who appears to be knowledgeable regarding account coding. The Organization should develop a manual or set of instructions to guide accounting personnel in coding of disbursements and deposits.

Lack of Segregation of Duties

A lack of segregation of duties exists with respect to accounting functions, however, due to the limited number of personnel, such a segregation of duties may not be achievable and the cost of correcting this deficiency would probably exceed the benefits desired.

We wish to thank the executive director and bookkeeper for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Directors, management and others within the Organization.

Moore & Rolfes

Moore & Rolfes
December 10, 1996

charged as expenses, which more appropriately should be capitalized as additions to machinery and equipment. To be consistent in the treatment of what items should be capitalized as asset additions and what items should be expensed, the board should adopt a dollar amount threshold for this purpose. For example, the board might decide that any item over $150 should be added to assets and items under that amount should be expensed.

Payment Frequency of Payables and Payroll

During our audit we noted that the Organization pays payroll and accounts payables weekly. By switching to a semi-monthly pay schedule, the Organization would save a significant amount of time. Such a change would reduce the number of payable and payroll check runs from 52 to 24 per year.

Documentation

During an examination of a random sample of check disbursements and appropriate supporting documentation, we noted six instances where no vendor invoices could be located. Although all disbursements appear to be proper, a procedural change is required to assure that all disbursements are supported by appropriate documentation.

Payroll Taxes

During our audit, we noted that the Organization incurred approximately $420 of payroll tax penalties. These penalties were incurred for late deposit of payroll taxes in spite of the Organization's very favorable cash position. Although $420 is a relatively minor amount, the Organization should be familiar with all payroll tax deposit requirements to avoid this situation occurring in the future.

Budget/Budget Revisions

During our examination, we noted that some of the Organization's budgets and/or budget revisions were not dated, making it difficult to determine which document reflected the latest revisions. So that the Organization's board and management are always aware of the most current budget/budget revisions, such documents should be dated with a date of preparation or revision.

Medical Insurance Withholding

While testing employee benefits, we noted that the Organization did not withhold the employees' share of medical insurance expense from the employees' wages in May, 1996 for the

FAITH HOUSE, INC.

Notes to Financial Statements

Year Ended August 31, 1996

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Faith House, Inc. (Faith House) is presented to assist in understanding Faith House's financial statements.

Nature of Activities

Faith House was established in 1980 and incorporated as a Louisiana non-profit corporation on November 20, 1980, for the purpose of providing food and shelter to women and children in need, as well as crisis counseling, information and referral, support groups and after care to victims of domestic violence, and community education about family violence.

Basis of Accounting

Faith House's books and records are routinely maintained on the cash basis of accounting and converted to the accrual basis at year-end for financial reporting purposes. The financial statements presented herein have been prepared on the accrual basis.

Financial Statement Presentation

Effective for fiscal year ended August 31, 1996, Faith House has begun the application of the new accounting standards as prescribed by SFAS 117, **Financial Statements of Not-for-Profit Organizations**. Under SFAS No. 117, Faith House is required to present a statement of cash flows. As permitted by this new statement, Faith House has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required, and eliminated the "fund balance" terminology. Faith House has only unrestricted and temporarily restricted classes. This reclassification had no effect on the change in net assets for the year ended August 31, 1996.

Contributions - Change in Method of Accounting

Effective for fiscal year ended August 31, 1996, Faith House has begun the application of the new accounting standards as prescribed by SFAS 116, **Accounting for Contributions Received and Contributions Made**. In accordance with SFAS 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or

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