

RAFAEL PERALES & COMPANY
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**REPORT ON INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING
FEDERAL AWARDS**

To the Board of Directors
Desire Narcotics Rehabilitation Center, Inc.
4118 Old Gentilly Road
New Orleans, Louisiana 70126

I have audited the basic financial statements of the Desire Narcotics Rehabilitation Center, Inc., as of and for the year ended June 30, 1996, and have issued my report thereon dated January 23, 1997.

I conducted my 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-144, Audits of Institutions of Higher Education and Other Nonprofit Institutions. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether the Desire Narcotics Rehabilitation Center, Inc. complied with laws and regulations, noncompliance with which would be material to a major federal program.

In planning and performing my audit for the year ended June 30, 1996, I considered the Desire Narcotics Rehabilitation Center, Inc.'s control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the Desire Narcotics Rehabilitation Center, Inc.'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 my consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal programs. I have addressed policies and procedures relevant to my audit of the financial statements in a separate report dated January 23, 1997.

The management of the Desire Narcotics Rehabilitation Center, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and

In planning and performing my audit of the financial statements of the Desira Narcotics Rehabilitation Center, Inc. for the year ended June 30, 1990, 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 the standards established by the American Institute of Certified Public Accountants. A material weakness is a 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 and 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 control structure and its operations that I consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Directors, management, and others within the organization and appropriate state and federal agencies. However, this report is a matter of public record and its distribution is not limited.

Michael Forales
Michael Forales
Certified Public Accountant

January 20, 1991

RAFAEL PERALES & COMPANY
Certified Public Accountant

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**REPORT ON THE INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH SAS**

To the Board of Directors
Desire Narcotics Rehabilitation Center, Inc.
4118 Old Gentilly Road
New Orleans, Louisiana 70128

I have audited the financial statements of the Desire Narcotics Rehabilitation Center, Inc. as of and for the year ended June 30, 1994, and have issued my report thereon dated January 21, 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 the Desire Narcotics Rehabilitation Center, 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 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 basic 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.

The Organization's operating account was levied by the Civil District Court in an action concerning the default on the purchase of property. The total amount levied was \$47,908. The organization is in the process of filing a counterclaim against the parties because it has determined that the levy was inappropriate and illegal. No legal opinion has been obtained as to the probability of a ruling being held in favor of the Organization.

Accumulated Depreciation	<u>\$ 41,212</u>
Property at June 30, 1996	<u>\$ 16,886</u>

NOTE C - ACCOUNTS RECEIVABLE

The Organization received funding from certain cost reimbursement contracts with the State of Louisiana and the City of New Orleans during the year ended June 30, 1996.

The balance of costs expended and not reimbursed at June 30, 1996 are as follows:

Chemotherapy	\$ 4,831
Drug Fees	\$ 13,918
Shelter Plus	\$ 4,749
Infinity 96	\$120,363
Target Cities	\$113,363
Homeless	\$ 17,988
DMC Weatherization	\$ 4,252
	<u>\$283,564</u>

NOTE D - NOTES PAYABLE

Denire Narcotics Rehabilitation Center, Inc. has a line of credit with the First National Bank of Commerce. The line of credit is secured by a personal pledge by the Executive Director of the Organization.

Amount	\$150,000
Interest Rate	4.42%
Due Date	February 1, 1997

NOTE E - RELATED PARTY TRANSACTIONS

The Executive Director has provided financial support to the organization for several years. During the year ended June 30, 1996, the Executive Director provided in excess of \$200,000 in financial support to the organization. The total due to the Executive Director is reflected in the Due to Officers totaling \$632,486.98.

Further, the Executive Director has pledged personal assets to secure the line of credit established by the Organization.

NOTE F - BANK LEVY

Desire Narcotics Rehabilitation Center, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Desire Narcotics Rehabilitation Center, Inc. is a non-profit organization whose purpose is to provide rehabilitation and counseling services to substance abusers.

Financial Statement Presentation

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. In addition, the Organization is required to present a statement of cash flows. During the year ended June 30, 1998, the Organization did not discontinue the use of its fund accounting, however, the financial statements presented have been reclassified to present the three classes of net assets required.

Income Tax Status

The Organization qualifies as a tax exempt organization under Section 501 (c)(3) of the Internal Revenue Code and has no provision for Federal Income taxes.

Property

The purchase of furniture and equipment is recorded as cost. Depreciation is computed on the straight-line basis over the estimated useful life of the assets. All assets are estimated to have a useful life of 3 years. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1000.00.

NOTE B - PROPERTY AND DEPRECIATION

Property and equipment consist of the following:

Equipment and furnishing	\$ 81,783
Vehicles	\$ 26,151
	\$107,934

Note B. continued.

DESIRE NARCOTICS REHABILITATION CENTER, INC.
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 1998

Cash Flows from Operating Activities:		
Increase in net assets		\$215,367.00
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Change in account receivable	\$384,144.00	
Change in accounts payable	(283,705.00)	
Change in other current liabilities	(112,105.00)	
Total Adjustments	<u> </u>	<u>(111,666.00)</u>
Net Cash Provided by Operating Activities		\$294,701.00
Cash Flows used by Investment Activities:		
Purchase of equipment	<u>\$50,811.00</u>	
Net Cash used by Investment Activities		<u>\$50,811.00</u>
Net Increase in Cash		\$215,512.00
Cash at Beginning of Year		<u>\$206,000.00</u>
Cash at End of Year		<u>\$421,512.00</u>

DESIRE NARCOTICS REHABILITATION CENTER, INC.
STATEMENT OF ACTIVITIES
for the Year Ended June 30, 1995

Unrestricted Net Assets	
Support	
Federal Financial Support	\$699,792.00
Total Support	<u>\$699,792.00</u>
Revenue	
Service Contracts	1,755,548.00
Contributions	18,799.00
Rents	1,520.00
Interest Income	250.00
Other	744.00
Total Revenue	<u>\$1,728,861.00</u>
	<u>\$2,328,653.00</u>
Expenses	
Personal Services	\$1,099,533.00
Related Benefits	189,849.00
Contractual Services	295,154.00
Operating Services	285,179.00
Materials and Supplies	49,042.00
Travel	24,378.00
Capital Outlays	7,662.00
Other	<u>199,814.00</u>
	<u>\$2,119,261.00</u>
	Increase (Decrease) in
	Unrestricted Net Assets
	<u>\$270,397.00</u>
Net Assets At Beginning of Year	<u>(\$1,145,877.00)</u>
Net Assets At End of Year	<u>(\$889,710.00)</u>

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 awards 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 operations 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:

Accounting Applications

1. Billings (in regards to reimbursement request)
2. Cash Receipts
3. Cash Disbursements
4. Revenues and Receivables
5. Purchasing
6. Payroll
7. Property and Equipment

Controls used in Administering Federal Programs

General Requirements

- o Political Activity
- o Civil Rights
- o Cash Management
- o Federal Financial Reports

Specific Requirements

- o Types of Services
- o Eligibility of Costs
- o Cost Allocation
- o Cost Incurred in Approved Period
- o Grant Budgets and Revisions

For all of the internal control structure categories listed

the basic financial statements. The information in that Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in my opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Rafael Perales
Rafael Perales
Certified Public Accountant

January 30, 1994

RAFAEL PERALES & COMPANY
Certified Public Accountant

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**REPORT ON COMPLIANCE WITH THE SPECIFIC REQUIREMENTS APPLICABLE TO
MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

Board of Directors
Desire Narcotics Rehabilitation Center, Inc.
4116 Old Gentilly Road
New Orleans, Louisiana 70126

I have audited the financial statements of the Desire Narcotics Rehabilitation Center, Inc. as of and for the year ended June 30, 1996, and issued my report thereon dated January 23, 1997.

I have also audited the Desire Narcotics Rehabilitation Center, Inc.'s, compliance with the requirements governing: types of services allowed or not allowed, eligibility, matching, level of effort, or earmarking, reporting, special tests and provisions, that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Awards, for the year ended June 30, 1996. The management of Desire Narcotics Rehabilitation Center, Inc., is responsible for the Desire Narcotics Rehabilitation Center, Inc.'s compliance with these requirements. My responsibility is to express an opinion on compliance with these requirements based on my audit.

I conducted my audit of compliance with these requirements 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. These standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Desire Narcotics Rehabilitation Center, Inc.'s compliance with these requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed immaterial instances

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**REPORT ON BASIC FINANCIAL STATEMENTS AND SCHEDULE OF FEDERAL
AWARDS**

To the Board of Directors
Desire Narcotics Rehabilitation Center, Inc.
4116 Old Gentilly Road
New Orleans, Louisiana 70136

I have audited the accompanying statement of financial position of the Desire Narcotics Rehabilitation Center, Inc. as of June 30, 1996, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Desire Narcotics Rehabilitation Center, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

In my opinion, the financial statements referred to in the first paragraph present fairly the financial position of the Desire Narcotics Rehabilitation Center, Inc. as of June 30, 1996, and the results of its operations and fund balance for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

In accordance with Government Auditing Standards, I have issued a report dated January 23, 1997 on my consideration of the Desire Narcotics Rehabilitation Center, Inc.'s internal control structure and report dated January 30, 1996 on compliance with laws and regulations.

My audit was made for the purpose of forming an opinion on the basic financial statements of the Desire Narcotics Rehabilitation Center, Inc. taken as a whole. The accompanying Schedule of Federal Awards for the year then ended June 30, 1996 is presented for purposes of additional analysis and is not a required part of

DEKING NARCOTICS REHABILITATION CENTER, INC.

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DESIRE NARCOTICS REHABILITATION CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 1995

ASSETS	
Cash	\$9,589.00
Accounts Receivable	273,580.00
Other Receivables	43,949.00
Property and Equipment	78,885.00
Total Assets	<u><u>\$405,913.00</u></u>
Liabilities	
Accounts Payable	\$379,699.00
Line of Credit	100,000.00
Wages Payable	86,493.00
Due to Officers	634,485.00
Due to Employees	20,895.00
Total Liabilities	<u><u>\$1,221,572.00</u></u>
Net Assets	
Unrestricted	(815,659.00)
Total Net Assets	<u><u>(815,659.00)</u></u>
Total Liabilities and Net Assets	<u><u>\$405,913.00</u></u>

Center, Inc. had not complied, in all material respects, with those requirements.

This report is intended for the information of the Board of Directors, management, and cognizant state and federal agencies. However, this report is a matter of public record and its distribution is not limited.

Rafael Sanchez
Rafael Sanchez
Certified Public Accountant

January 23, 1997

DESIRE NARCOTICS REHABILITATION CENTER, INC.

June 30, 1998
Management Comments

1. Accounting System

During the audit engagement, it was noted that the organization uses the "Quickscan" accounting package to record and summarize its financial transactions and the administration of its grant and contract funds. The system is not specifically geared to handle the types of transactions and accounting procedures required in the accountability of governmental and private grants and contracts.

It is recommended that the organization change to a more sophisticated accounting package which is designed for handling the types of transactions which are made by the organization. An accounting package for fund accounting should be written to track the transactions and provide financial reports required by the various funding agencies.

2. Cash

The cash balance per the books reflects a material deficit in the cash account. The reason is that the expenses incurred by the organization, whether paid or unpaid (accounts payable) are recorded in cash instead of accounts payable. The occurrence of this method of accounting distorts the true balance of the cash account and renders management at a disadvantage in tracking cash on a daily basis. The result is that management can not adequately determine the daily cash balance at any given time.

It is recommended that the practice of recording expenses incurred but not paid in the cash account be discontinued. This is not acceptable accounting procedures in accordance with generally accepted accounting principles. All expenses incurred but not paid should be recorded in the accounts payable account with a corresponding entry into the appropriate expense account.

3. Property

During the examination of the assets of the organization, it was noted that the furniture and equipment owned by the organization was not "tagged" for identification. The organization operates or has operated several federal contracts as well as state and local contracts. Regulations for the administration of federal, state and local funds specify that property and equipment purchased with grant or contract funds should be properly

DESIRE NARCOTICS REHABILITATION CENTER, INC.
SCHEDULE OF FEDERAL AWARDS
For The Year Ended June 30, 1996

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Revenue	Expenditures
U.S. Department of Health and Human Services National Institute on Drug Abuse Cooperative Agreement	13.99	\$492,880.00	\$559,402.00
Pass Through From State Dept of Human Services, Division of Alcohol and Drug Abuse Residential Housing	13.99	175,127.00	129,294.00
Drug Free	13.99	251,336.00	251,336.00
Chemotherapy	13.99	71,390.00	71,390.00
Target Cities	13.99	249,427.99	277,882.00
Shelter Plus	13.99	17,127.99	41,223.00
Pass Through From City of New Orleans			
Homeless	13.99	0.00	36,914.00
Infinity	13.99	344,687.00	256,618.00
Total Direct and Pass Through Federal Financial Assistance		<u>\$1,650,984.00</u>	<u>\$1,633,139.00</u>

DESIRE MARCOTICH'S REHABILITATION CENTER, INC.
 STATEMENT OF ACTIVITIES - BY PROGRAM
 for the Year Ended June 30, 1999

Total

Unrestricted Net Assets	
Support	
Federal Financial Support	
Total Support	699,792.00
Revenues	
Service Contracts	1,716,846.00
Contributions	19,791.00
Funds	1,820.00
Interest Income	293.00
Other	744.00
Total Revenues	1,738,683.00
Total Revenues and Support	2,398,475.00
Expenses	
Personnel Services	1,036,528.00
Related Benefits	189,048.00
Contractual Services	296,164.00
Operating Services	205,156.00
Materials and Supplies	49,849.00
Travel	34,378.00
Capital Outlays	7,853.00
Other	189,816.00
Total Expenses	2,119,238.00

STATEMENT OF ACTIVITIES - BY PROGRAM
for the Year Ended June 30, 1994

	Actual \$	Inflation \$	Residential Housing	Shelter Plan	Target Class \$	Target Class \$	Target Class \$	Weatherization
Unrestricted Med Assets Support	0.00	0.00	175,812.00	0.00	0.00	0.00	0.00	0.00
Federal Financial Support								
Total Support	251,778.00	92,821.00	175,812.00	17,127.00	38,458.00	208,985.00	4,252.00	
Revenues								
Service Contracts								
Contributions								
Rents								
Interest Income								
Other								
Total Revenues	251,778.00	92,821.00	0.00	17,127.00	38,458.00	208,985.00	4,252.00	
Total Revenues and Support	331,778.00	185,642.00	175,812.00	17,127.00	38,458.00	208,985.00	4,252.00	
Expenses								
Personnel Services	29,300.00	124,628.00	60,728.00		30,828.00	129,852.00	565.00	
Resident Benefits	4,823.00	21,327.00	13,441.00		5,338.00	17,862.00	124.00	
Contractual Services	680.00	914.00	12,918.00	3,063.00	12,500.00	49,489.00		
Operating Services	14,276.00	25,703.00	16,833.00	29,888.00	3,890.00	9,232.00		
Materials and Supplies	18,985.00	3,876.00	921.00	1,998.00	2,342.00	738.00		
Travel	1,238.00	2,417.00	1,745.00	0.00	0.00	629.00		
Capital Outlays	0.00	0.00	0.00	0.00	0.00	8.00		
Other	5,073.00	285.00	0.00	7,065.00	7,708.00	27,828.00	3,987.00	
Total Expenses	68,085.00	188,236.00	120,294.00	41,223.00	61,266.00	218,985.00	4,261.00	

STATEMENT OF ACTIVITIES - BY PROGRAM
for the Year Ended June 30, 1994

	Infinity 85	Infinity 86	Residential Housing	Shelter Plus	Target Class 92	Target Class 93	Weatherization
Unrestricted Net Assets							
Support			175,812.00				0.00
Federal Financial Support		0.00	175,812.00	0.00	0.00	0.00	0.00
Total Support		0.00	175,812.00	0.00	0.00	0.00	0.00
Revenues:							
Service Contracts	281,776.00	62,821.00		17,127.00	20,428.00	208,966.00	4,252.00
Contributions							
Rents							
Interest Income							
Other							
Total Revenues	281,776.00	62,821.00	0.00	17,127.00	20,428.00	208,966.00	4,252.00
Total Revenues and Support	281,776.00	62,821.00	175,812.00	17,127.00	20,428.00	208,966.00	4,252.00
Expenses:							
Personal Services	29,390.00	124,626.00	62,726.00		30,528.00	109,662.00	593.00
Retired Benefits	6,033.00	21,321.00	10,441.00		9,328.00	17,662.00	134.00
Contractual Services	686.00	674.00	12,818.00	3,066.00	12,500.00	49,492.00	
Operating Services	14,278.00	26,783.00	95,033.00	20,969.00	3,000.00	9,232.00	
Materials and Supplies	10,996.00	3,076.00	301.00	1,209.00	2,342.00	724.00	
Travel	1,236.00	2,471.00	1,745.00	0.00	0.00	609.00	
Capital Outlays	0.00	0.00	0.00	0.00	0.00	0.00	
Other	5,073.00	585.00	0.00	7,825.00	7,708.00	27,929.00	3,997.00
Total Expenses	68,082.00	168,358.00	173,254.00	41,223.00	61,996.00	215,985.00	4,281.00

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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
Desire Narcotics Rehabilitation Center, Inc.
4124 Old Gentilly Road
New Orleans, Louisiana 70126

I have audited the basic financial statements of the Desire
Narcotics Rehabilitation Center, Inc., as of and for the year
ended December 31, 1994, and have issued my report thereon dated
January 23, 1995.

I conducted my audit in accordance with generally accepted
auditing standards and Government Auditing Standards, issued by
the Comptroller General of the United States. These 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 the Desire Narcotics Rehabilitation Center, Inc. is
the responsibility of Desire Narcotics Rehabilitation Center,
Inc.'s management. As part of obtaining reasonable assurance
about whether the financial statements are free of material
misstatement, I performed tests of Desire Narcotics
Rehabilitation Center, Inc.'s compliance with certain provisions
of laws, regulations, contracts and grants. However, my objective
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 disclosed no instances of noncompliance
that are required to be reported herein under Government Auditing

This report is intended for the information of the Board of
Directors, management and the cognizant state and Federal
agencies. This restriction is not intended to limit the

SUPPLEMENTARY INFORMATION

above, 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.

During the year ended June 30, 1996, the Begine Narcotics Rehabilitation Center, Inc. expended 37% of its total Federal awards under major programs.

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 statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My 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 disclose all reportable conditions that are also considered to be material weakness as defined above.

This report is intended for the information of the Board of Directors, management, and others within the organization and appropriate state and federal agencies. However, this report is a matter of public record and its distribution is not limited.


Rafael Morales
Certified Public Accountant

January 23, 1997

RAFAEL PERALES & COMPANY
Certified Public Accountant

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**REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

Board of Directors

Desire Narcotics Rehabilitation Center, Inc.
4100 Old Gentilly Road
New Orleans, Louisiana 70126

I have audited the financial statements of the Desire Narcotics Rehabilitation Center, Inc. as of and for the year ended June 30, 1996, and have issued my report thereon dated January 23, 1997.

I have applied procedures to test the Desire Narcotics Rehabilitation Center, Inc.'s compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the schedule of Federal Awards, for the year ended June 30, 1996:

- Political Activity
- Civil Rights
- Cash Management
- Federal Financial reports
- Allowable Costs/Cost Principles
- Drug Free Workplace
- Administrative requirements

My procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Audits of Institutions of Higher Education 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 the Desire Narcotics Rehabilitation Center, 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 those 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 the Desire Narcotics Rehabilitation

of noncompliance with the requirements referred to above. I considered these instances of noncompliance in forming my opinion on compliance, which is expressed in the following paragraph.

In my opinion, the Desire Narcotics Rehabilitation Center, Inc., complied, in all material respects, with the requirements governing types of services allowed or not allowed, eligibility, matching, level of effort, or earmarking, reporting, special tests and provisions, that are applicable to each of its major Federal financial assistance programs for the year ended June 30, 1986.

This report is intended for the information of the Board of Directors, management, and cognizant state and Federal agencies. However, this report is a matter of public record and its distribution is not limited.


Rafael Morales
Certified Public Accountant

January 23, 1987

accounted for in order to maintain adequate controls over the safeguarding of the assets. This includes the recording and tracking of the assets under control of the organization.

It is recommended that the property and equipment under the control of the organization be tagged for identification as to the contractor/grant purchased, location of the asset and recorded in the asset ledger.

4. Budgets

The organization has an approved indirect cost rate of 31% percent to be used in its administration of federal contracts/budgets. However, the organization also attempts to utilize the indirect cost rate in its budget applications for state and local contracts. The results is that the general fund does not recover its indirect cost (i.e., accounting, auditing, travel) incurred in the administration of the state and local contracts administered.

It is recommended that in the future, the organization's budget include cost categories to include the direct cost of those budget categories which are now considered indirect cost.

5. Training

The employees of the organization has the knowledge of applying daily procedures to making the disbursements and recording the receipts of the organization. However, it appears that the accounting staff is limited in some of the technical areas of accounting for nonprofit organizations.

It is recommended that the management of the organization consider sending the accounting staff to training sessions specifically design in the area of accounting for nonprofit organizations.

6. Annual Audit Report

The Annual Audit Report for the year ending June 30, 1996 was not submitted to the cognizant organizations by the due date of December 31, 1996. The results is that the organization is in non-compliance in submission of its financial reports.

The audit report was not submitted in a timely manner was due to: (1) the organization attempted to contract with several auditors during the time period. The auditors either could not perform the audit or the price was not in line with the organization's budget, (2) when finally an auditor was contracted there was a late start in the performance of the audit, and (3) the auditor had to wait for certain confirmations to arrive in order to complete field work, and (4) the audit was conducted during the Christmas holidays when much of the relevant staff were not available.

It is recommended that the organization contract with an audit prior to the end of its fiscal year in order to have a timely submission of its annual audit report.

distribution of this report, which is a matter of public record.

Joseph P. Peralta
Joseph Peralta
Certified Public Accountant

January 30, 1997

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DESIRE NARCOTICS REHABILITATION CENTER, INC.

AUDIT OF FINANCIAL STATEMENTS

For The Year Ended June 30, 1956

Prepared by

Rafael Perales

Certified Public Accountant

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, of notaries, entity and other appropriate public officials. This report is available for public inspection at the State House of Representatives, at the office of the parish clerk of court

Release Date FEB 12 1957

DESIRE NARCOTICS REHABILITATION CENTER, INC.
 STATEMENT OF ACTIVITIES - BY PROGRAM
 for the Year Ended June 30, 1999

	General Fund	Cooperative Agreement	Charterparty	Drug Fees	HMMS 3	Homings	Infinity 96 Bond
Unrestricted Net Assets							
Support		400,000.00					
Federal Financial Support		260,000.00	0.00	0.00	0.00	0.00	0.00
Total Support		400,000.00	0.00	0.00	0.00	0.00	0.00
Revenues							
Service Contracts	500,198.00			71,360.00	251,335.00	76,162.00	
Contributions	10,700.00						
Rents	260.00						1,600.00
Interest Income	144.00						
Other							
Total Revenues	711,302.00	0.00		71,360.00	251,335.00	76,162.00	
Total Revenues and Support	711,302.00	400,000.00		71,360.00	251,335.00	76,162.00	
Expenses							
Personnel Services	122,204.00	268,000.00		61,000.00	172,377.00	61,326.00	26,000.00
Related Benefits	32,207.00	35,731.00		9,510.00	30,154.00	12,073.00	4,149.00
Contractual Services	119,098.00	55,171.00		30,730.00		0.00	0.00
Operating Services	64,607.00	70,057.00		10,004.00	3,050.00	5,432.00	1,511.00
Materials and Supplies	20,484.00	7,084.00		874.00	1,206.00	601.00	0.00
Travel	7,052.00	8,771.00			200.00		360.00
Capital Outlay	0.00	7,052.00					0.00
Other	64,703.00	81,278.00					1,687.00
Total Expenses	411,358.00	666,463.00		71,360.00	251,335.00	69,666.00	30,514.00
							1,687.00
							3,178.00