

DUE WITHIN ONE YEAR DUE AFTER
ONE YEAR ONE YEAR

at a rate of 10 3/4%. Interest fluctuates annually based on the weekly average yield on U. S. Treasury Securities. The maximum aggregate amount of increase or decrease in the interest rate payable during the term of the loan shall not be greater than 300%; also, the increase or decrease in any given year shall not be greater than 30%. This note matures June 1, 1966 and is collateralized by property at 827 America St. held by Human Services of Greater Baton Rouge, Inc.

	\$ 6,819	\$ 96,715
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Note dated September 1, 1962 with an original principal balance of \$122,500 payable in 60 monthly installments of \$1,243 which includes interest at a rate of 9%. The note is collateralized by land and building on trussilla lane.

	5,280	99,886
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Note dated November 20, 1962 with an original principal balance of \$80,000 payable on demand, or if no demand is made, in 60 monthly installments of \$913 which includes interest at a rate of 11.5% and the balance due on the last installment date. This note was refinanced on August 21, 1963 at an interest rate of 10%. The note is collateralized by land and building on Westmoreland Street.

	2,577	94,250
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Note dated November 11, 1962 with an original principal balance of \$74,000 payable on demand, or if no demand is made, in 60 monthly installments of \$928 which includes interest at a rate of 11.5% and the balance due on the last installment date. This note was refinanced on August 21, 1963 at an interest rate of 10%. The note is collateralized by land and building on Oakle Street.

	3,188	14,664
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Note dated December 31, 1965 with an original principal balance of \$61,150 payable in nine monthly installments of \$7,123 which includes interest at a rate of 7.50%. This note is collateralized by unearned insurance premiums and dividends.

	<u>22,262</u>	<u>-</u>
	\$ 43,224	\$ 265,711

In addition to the above mentioned notes, Volunteers of America, Greater Baton Rouge, Inc. also has a \$500,000 line of credit at Bank One of Louisiana. This line of credit is dated June 10, 1964 and includes interest at a rate of 1% above the Regional Index

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 the reportable condition described above is not a material weakness.

This report is intended solely for the Board of Directors, management, the Office of the Louisiana Legislative Auditor and any cognisant agency, and should not be used for any other purpose.

Respectfully submitted,

Merrill T. Bonaguidi & Co., LLP

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.

A reportable condition was noted in the following area:

Accounts Receivable and Related Revenues:

FINDINGS:

During the current year while performing our audit procedures on accounts receivable, we noted that numerous amounts had been written off as uncollectible. Upon further discussion with management the majority of these items related to amounts that had been recorded for clients who were later determined to be Medicaid ineligible and for amounts billed that were in excess of grant monies available under various contracts.

RECOMMENDATION:

Management has informed us that new procedures have been implemented subsequent to year end which are designed to properly recognize receivables and revenues only to the extent of their collectibility. We further recommend that management continue in its efforts to more closely monitor accounts receivable as to their collectibility.

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.

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 our audit of the financial statements of Volunteers of America, Greater Boston House, Inc. for the year ended June 30, 1994, 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 an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted a 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

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Certified Public Accountants

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August 22, 1996

Board of Directors
Volunteers of America,
Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Volunteers of America, Greater Baton Rouge, Inc. as of and for the year ended June 30, 1996, and have issued our report thereon dated August 22, 1996.

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

The management of Volunteers of America, Greater Baton Rouge, 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

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

Volunteers of America,
Greater Baton Rouge, Inc.

STATEMENT OF ACTIVITIES FOR SPECIAL PROGRAMS*

For the Year Ended June 30, 1996

Revenues from Operations:	
Public Support	\$ 28,864
Government Grants and Fees	340,492
United Way Allocation	317,000
Other	<u>47,330</u>
Total Revenues from Operations	\$ 733,686
Operating Expenses:	
Salaries	\$ 410,729
Employee Benefits	50,330
Payroll Taxes	26,800
Professional Fees	27,580
Supplies and Office Expenses	58,867
Administrative Expenses	60,217
Conspansy	73,450
Interest	2,656
Equipment Rental and Maintenance	4,307
Printing and Publications	935
Travel	16,582
Client Cash Subsidy	23,510
Miscellaneous	3,194
Depreciation	<u>4,742</u>
Total Operating Expenses	\$ 772,322
Change in Net Assets	\$ <u>(38,636)</u>

*Includes all programs which received Capital Area United Way Funding.

Notes: For the fiscal year ended June 30, 1996, Family Emergency Shelter contributed \$4,892 of Capital Area United Way Funding to the Downtown Christian Outreach Center.

See auditor's report on this supplemental schedule.

HANNIS T. BOURGEOIS & CO., L.L.P.

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MAY 22, 1996

Independent Auditor's Report on the Supplementary Schedule

Board of Directors
Volunteers of America,
Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

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

Respectfully submitted,

Hannis T. Bourgeois & Co., LLP

SUPPLEMENTARY SCHEDULE

NOTE 12 - Concentration of Credit Risk -

Included in receivables are amounts due for program services provided to various agencies of the State of Louisiana and grant funds due from federal and state agencies. Allowances are provided for amounts estimated by management as uncollectible.

NOTE 13 - Fair Value of Financial Instruments -

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value:

Cash and Cash Equivalents - For these short-term instruments the carrying amount is a reasonable estimate of fair value.

Investments - Fair value of investments is based on quoted market prices or dealer quotes. If a quoted market price is not available fair value is estimated using quoted market prices for similar securities.

Bank Loans Payable and Mortgages Payable - Fair value approximates carrying value since stated rates are similar to rates currently available to the Organization for debt with similar terms and remaining maturities.

	<u>CARRYING VALUE</u>	<u>FAIR VALUE</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 18,967	\$ 18,967
Long-Term Investments	112,311	112,311
	<u>\$131,278</u>	<u>\$131,278</u>
Financial Liabilities:		
Bank and Mortgage Loans Payable	\$107,935	\$107,935

Baton Rouge Junior League	\$	8,800
Baton Rouge Area Foundation		10,800
Local Churches		68,281
Fund Raising Contributions		6,237
Volunteers of America Award		<u>45,800</u>
	\$	<u>139,918</u>

Note 8 - Investments -

As further discussed in Note 5 the Organization adopted SFAS No. 124 "Accounting for Certain Investments Held by Not-For-Profit Organizations" during the current year. Investments are therefore stated at market value. At June 30, 1994, investments have a market value of \$112,317 and cost of \$108,129 resulting in an unrealized gain of \$2,988. This unrealized gain and interest income of \$3,988 earned on this investment in the current year is reflected in the Statement of Activities.

Note 9 - Accrued Annual Leave -

Volunteers of America, Greater Baton Rouge, Inc. has recorded an estimated liability for accrued leave of an amount based on the total hours of leave accumulated at June 30, 1994, times the employees hourly rate at June 30, 1994. Employees accrue hours based upon their length of service. No more than one hundred twenty hours of leave can be carried over from one year to another. Accrued leave in the amount of \$198,137 is included in the other liabilities account on the Statement of Financial Position.

Note 10 - Pension Plan - Mutual of America for Ministers -

Volunteers of America, Greater Baton Rouge, Inc. participates in a non-contributory defined benefit pension and retirement plan. The plan is administered through a commercial insurance company and covers all commissioned ministers. Pension plan expense was \$13,888 for the year ended June 30, 1994.

Because the plan is a multi-employer plan, the accumulated benefits and net assets available for benefits as they relate solely to Volunteers of America, Greater Baton Rouge, Inc. are not readily available.

Note 11 - Thrift Plan -

Volunteers of America, Greater Baton Rouge, Inc. established a Section 401(b) Thrift Plan effective January 1, 1993. The plan covers all employees with a minimum of one year of service. The Organization will contribute 3.25% of all participants' compensation and will match an amount equal to 3% of the basic employee contributions made by each participant limited to 1% of their wages. Employees will be 100% vested in the employer contribution upon completion of five years of service. The expense for the year ended June 30, 1994 was \$82,278.

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

Note: Interest in the monthly and principal is due in one payment on April 30, 1977. The line is collateralized by a security interest in all inventory, chattel paper, accounts and notes. There were no draws on this line of credit as of June 30, 1966.

Note obligation maturities in years ended June 30, are as follows:

1990	\$ 13,186
1999	25,440
2000	37,815
2001	38,418
Thereafter	152,234
	<u>\$267,193</u>

Interest expense for the year ended June 30, 1966 amounted to \$23,903.

Note 4 - Minimum Lease Commitments -

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 1966:

Year Ending June 30,	
1997	\$170,373
1998	59,880
1999	<u>48,853</u>
	<u>\$279,106</u>

Total rental expense for the year ended June 30, 1966 for all operating leases was \$262,815.

Note 5 - Change in Accounting Principles -

The Organization was required to adopt Statement of Financial Accounting Standards (SFAS) No. 116 "Accounting for Contributions Received and Contributions Made", in 1986. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. As permitted by SFAS No. 116, the Organization has retroactively applied the provisions of this new Statement by restating net assets as of June 30, 1985. An adjustment of \$30,880 was made to net assets as of June 30, 1985, representing time-restricted contributions previously reported as deferred revenue. Under SFAS No. 116, such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon satisfying the restricted purpose.

In 1986, the Organization was also required to adopt Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net

Independent Auditor's Report on Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	25 - 26
Independent Auditor's Report on Compliance with the General Requirements Applicable to Federal Award Programs.....	27 - 28
Independent Auditor's Report on Compliance with Specific Requirements Applicable to Major Federal Award Programs.....	29 - 30
Schedule of Finding and Questioned Costs.....	31
Independent Auditor's Report on Compliance with Specific Requirements Applicable to Nonmajor Federal Award Program Transactions.....	32 - 33
Independent Auditor's Report on Schedule of Federal Awards.....	34 - 35
Schedule of Federal Awards.....	36 - 37

Federal Income Taxes

Volunteers of America, Greater Baton Rouge, Inc. is exempt from Federal income taxes as a subordinate unit of Volunteers of America, Inc. Volunteers of America, Inc. is exempt from Federal income taxes under Section 501(c) of the Internal Revenue Code as a religious organization described in Section 501(c)(3).

Note 2 - Related Parties -

Volunteers of America, Greater Baton Rouge, Inc. is affiliated with Volunteers of America, Inc. which provides administrative services to the organization for a fee. Administrative fees for the fiscal year ended June 30, 1996 totaled \$205,355. The Organization owes Volunteers of America, Inc. fees of \$33,888 at June 30, 1996, which is included in accounts payable as reflected in these financial statements. In addition, the Organization received an endowment grant from Volunteers of America, Inc. in the amount of \$41,000.

Human Services of Greater Baton Rouge, Inc. is a not-for-profit corporation established to operate as a property holding corporation for Volunteers of America, Greater Baton Rouge, Inc. Land, buildings, and leasehold improvements of the America Street, Ballis Street, Harry Drive and Browline Street property have been accounted for in the financial statements of Human Services of Greater Baton Rouge, Inc. At June 30, 1996, Human Services of Greater Baton Rouge, Inc. owed volunteers of America, Greater Baton Rouge, Inc. \$66,966 which is included in accounts receivable as reflected in these financial statements. The operations of the America Street and Browline Street properties are accounted for in the financial statements of Volunteers of America, Greater Baton Rouge, Inc.

Furthermore, the Organization acts as a management agent for two U.S. Department of Housing and Urban Development (HUD) housing complexes - Baton Rouge VOA Living Centers, Inc. and Baton Rouge Residential Center, Inc. At June 30, 1996, these two organizations owed Volunteers of America, Greater Baton Rouge, Inc. \$22,131 and \$298, respectively. In addition, the Organization will act as management agent for two additional HUD housing complexes - Lake Charles Living Center, Inc. and Welch Elderly Housing, Inc. which are scheduled to be in operation next year. At June 30, 1996, these two organizations owed Volunteers of America, Greater Baton Rouge, Inc. \$10,751 and \$2,812, respectively. These amounts are included in accounts receivable as reflected in these financial statements.

Note 3 - Notes Payable -

Notes Payable are detailed as follows:

	<u>DUE WITHIN ONE YEAR</u>	<u>DUE AFTER ONE YEAR</u>
May 12, 1996 with an original balance of \$148,000 payable in monthly installments of \$1,448 during the first twelve month period. This includes interest		

Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, unless held for refinancing as part of the investment portfolio, pledged to secure loan agreements or otherwise encumbered. The carrying amount approximates fair value because of the short maturity of these instruments.

Investments

Investments in all debt and equity securities with readily determinable fair value are reported at their fair value. All other investments are reported at historical cost, if purchased, or, if contributed, at fair value at the date of contribution.

Contributions

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose of 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.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributed Services

The Organization recognizes contribution revenue for certain services received at the fair value of those services provided those services create or enhance nonfinancial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the year ended June 30, 2000, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

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.

Volunteers of America,
Greater Baton Rouge, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 1994

Note 1 - Summary of Significant Accounting Policies -

Organization

Volunteers of America, Greater Baton Rouge, Inc. (the Organization) is a not-for-profit Christian human services agency, recognized as a church, incorporated in the State of Louisiana which provides social services within the Greater Baton Rouge and Southeast Louisiana areas under a charter from Volunteers of America, Inc., a national religious not-for-profit corporation.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board on its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable.

Property and Equipment

Land, buildings and equipment purchased by the organization are recorded at cost. This Organization follows the practice of capitalizing all expenditures for land, buildings and equipment in excess of \$500; the fair value of donated fixed assets is similarly capitalized. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets.

The Organization expenses purchases of property bought with funds from cost reimbursement grants from various State and Federal agencies. Special provisions contained in the state contracts specify that ownership of all property purchased shall revert back to the grantor after a specified term or under certain conditions pursuant to the contractual agreement.

Volunteers of America
Greater Baton Rouge, Inc.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 1996

Cash Flows From Operating Activities:	
Change in Net Assets	\$ 8,178
Adjustments to Reconcile Change in Net Cash Used by Operating Activities:	
Depreciation	59,514
Net Unrealized (Gain) Loss on Long- Term Investment	(3,988)
Provision for Bad Debts	25,000
Loss on Disposition of Fixed Assets	3,739
Changes in Current Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	18,315
(Increase) Decrease in Other Assets	(2,004)
(Increase) Decrease in Prepaid Expense	(2,388)
Increase (Decrease) in Accounts Payable	(71,848)
Increase (Decrease) in Other Liabilities	(94,890)
Increase (Decrease) in Agency Fund Payables	<u>153,225</u>
Net Cash Provided by Operating Activities	\$ 144,899
Cash Flows From Investing Activities:	
Purchases of Equipment	\$ (35,178)
Purchases of Investment	<u>(18,398)</u>
Net Cash Used in Investing Activities	\$ (53,576)
Cash Flows From Financing Activities:	
Proceeds from Issuance of Long-Term Debt	\$ 131,875
Payment of Note Payable	<u>(143,148)</u>
Net Cash Used in Financing Activities	\$ (11,273)
Net Decrease in Cash and Cash Equivalents	\$ (11,950)
Cash and Cash Equivalents - Beginning of Year	<u>322,232</u>
Cash and Cash Equivalents - End of Year	<u>\$ 310,282</u>
Supplemental Disclosure of Cash Flow Information:	
Cash Payments for Interest	\$ <u>23,494</u>

The accompanying notes are an integral part of this statement.

SERVICES

STUDENT SERVICES

CONTRACTORS	FAMILY LIFE	TOTAL	MANAGEMENT AND GENERAL		TOTAL	TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES
			MANAGEMENT	FUND RAISING		
\$ 132,899	\$2,492,282	\$2,625,181	\$ 268,484	\$ 4,814	\$ 273,298	\$4,098,479
3,074	82,227	85,301	12,799	51	12,850	98,151
12,359	127,185	139,544	8,413	608	9,021	148,565
9,213	178,887	188,100	12,819	277	13,096	201,196
883	178,449	179,332	20,764	661	21,425	199,757
-	1,824	18,728	498	-	498	19,226
-	3,856	3,856	29,208	-	29,208	33,064
5,425	142,246	147,671	29,998	-	29,998	177,669
4,247	311,042	315,289	12,788	-	12,788	328,077
172	4,788	5,040	4,066	-	4,066	9,106
12,768	264,584	277,352	41,287	426	41,713	318,065
-	1,892	24,261	2,288	-	2,288	26,549
412	13,072	28,484	8,228	-	8,228	36,712
348	24,248	32,814	7,228	-	7,228	40,042
12,928	212,824	225,752	8,724	-	8,724	234,476
828	14,277	22,892	7,884	-	7,884	30,776
-	47,287	129,228	148	-	148	129,376
127	12,076	42,244	28,848	-	28,848	71,092
24	11,628	24,212	7,428	-	7,428	31,640
\$ 122,748	\$2,881,894	\$2,994,642	\$ 488,484	\$ 8,278	\$ 496,762	\$3,491,404

208,288

\$7,213,288

Volunteers of America,
Greater Baton Rouge, Inc.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 1988

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
Revenues from Operations:			
Public Support Received Directly:			
Contributions	\$ 8,487	\$ 48,281	\$ 56,768
Special Events	34,348	6,237	40,585
Public Support Received Indirectly:			
United Way	317,022	-	317,022
Volunteers of America Awards and Grants	-	45,022	45,022
Total Public Support	\$ 359,857	\$ 119,518	\$ 479,375
Revenue and Grants from Govern- mental Agencies	\$ 2,987,845	\$ 8,508	\$ 2,996,353
Other Revenue:			
Program Service Fees	\$ 141,130	\$ -	\$ 141,130
Miscellaneous	82,122	-	82,122
Total Other Revenue	\$ 223,252	\$ -	\$ 223,252
Net Assets Released from Restrictions - Note 3	128,018	1128,018	-
Total Revenues from Operations	\$ 7,114,979	\$ (10,000)	\$ 7,104,979
Operating Expenses:			
Employment Services	\$ 354,227	\$ -	\$ 354,227
Health and Rehabilitation	2,524,702	-	2,524,702
Food, Clothing, and Shelter	125,211	-	125,211
Corrections	123,786	-	123,786
Family Life	1,821,924	-	1,821,924
Total Program Services	\$ 7,001,820	\$ -	\$ 7,001,820
Management and General	\$ 498,450	\$ -	\$ 498,450
Fund Raising	6,279	-	6,279
Total Supporting Services	\$ 504,729	\$ -	\$ 504,729
Administrative Fees Paid to National Organization	205,350	-	205,350
Total Operating Expenses	\$ 7,713,109	\$ -	\$ 7,713,109
Excess (Deficit) from Operations	\$ 3,864	\$ (10,000)	\$ (6,136)
Non-Operating Gains (Losses) and Other Income:			
Interest Income	\$ 318	\$ -	\$ 318
Unrealized Gain on Investments	2,320	-	2,320
Surplus (Deficit) from Other Activities	\$ 11,308	\$ -	\$ 11,308
Change in Net Assets	\$ 15,170	\$ (10,000)	\$ 5,170

The accompanying notes are an integral part of this statement.

Volunteers of America,
Greater Baton Rouge, Inc.

STATEMENT OF FINANCIAL POSITION

as of June 30, 1996

ASSETS

Current Assets:

Cash	\$ 88,967
Accounts Receivable Less Allowance of \$18,000 - Note 2	340,667
Prepaid Expenses	<u>38,100</u>
Total Current Assets	\$1,078,734

Land, Buildings and Equipment, at Cost Less Accumulated Depreciation of \$328,098 - Note 3	\$ 412,634
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Long-Term Investment - Notes 5 and 6	112,317
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Other Assets	<u>52,218</u>
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Total Assets	<u>\$1,653,483</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable - Note 3	\$ 111,847
Other Liabilities - Note 9	299,638
Agency Funds Payable	262,188
Notes Payable (Due Within One Year) - Note 1	<u>42,224</u>
Total Current Liabilities	\$ 705,497

Long-Term Liabilities:

Notes Payable (Due After One Year) - Note 3	\$ 288,711
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Net Assets as Restated - Note 5:

Unrestricted	\$ 637,180
Temporarily Restricted	<u>58,500</u>
Total Net Assets	\$ 695,680

Total Liabilities and Net Assets	<u>\$1,653,483</u>
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The accompanying notes are an integral part of this statement.

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 accompanying financial statements present fairly, in all material respects, the financial position of Volunteers of America, Greater Boston Region, Inc. as of June 30, 1996, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, in 1994 the organization changed its method of accounting for contributions, its method of financial reporting and financial statement presentation, and its method of accounting for investments.

In accordance with Government Auditing Standards, we have also issued a report dated August 22, 1996, on our consideration of the organization's internal control structure and a report dated August 22, 1996 on its compliance with laws and regulations.

Respectfully submitted,

Norris T. Bourgeois & Co., LLP

HANNIS T. BOURGEOIS & CO., L.L.P.

Certified Public Accountants

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COUNCIL 2000
MEMBER OF FINANCIAL RISK MANAGER
COUNCIL 2000

* OFFICE OF REGISTERED PROFESSIONAL ACCOUNTANTS

August 12, 1996

Independent Auditor's Report

Board of Directors
Volunteers of America,
Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the accompanying Statement of Financial Position of Volunteers of America, Greater Baton Rouge, Inc. as of June 30, 1996, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis,

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**VOLUNTEERS OF AMERICA,
GREATER BATON ROUGE, INC.**

JUNE 26, 1996

BATON ROUGE, LOUISIANA

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 **MAY 13 1996**

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. As permitted by this new Statement, the Organization has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the applicable classes of net assets required. This reclassification had no effect on the change in net assets for 1998.

Furthermore, the Organization elected early adoption of Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-For-Profit Organizations". Under SFAS No. 124, the Organization is required to report equity securities that have readily determinable fair values and all debt securities at fair value. As permitted by SFAS No. 124, the Organization has retroactively applied the provisions of this new statement by restating net assets as of June 30, 1995. An adjustment of \$14,488 made to net assets as of June 30, 1995 represents the difference between carrying value and market value of the investment held by the Organization at that date.

The following is a detail of net assets:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
Beginning of Year - July 1, 1998, as Previously Reported	\$ 897,813	\$ 55,000	\$ 952,813
Increase in Net Assets - July 1, 1998, Due to Adoption of SFAS No. 124	-	10,000	10,000
Increase in Net Assets - July 1, 1998, Due to Adoption of SFAS No. 124	<u>14,488</u>	-	<u>14,488</u>
Beginning of Year - July 1, 1995 as Restated	\$ 912,018	\$ 40,000	\$ 952,018
Increase (Decrease) in Net Assets - June 30, 1998	<u>15,138</u>	<u>(10,000)</u>	<u>5,138</u>
End of Year - June 30, 1998	<u>\$ 927,156</u>	<u>\$ 30,000</u>	<u>\$ 957,156</u>

Note 6 - Restrictions on Net Assets -

Temporarily restricted net assets are available for the following purposes:

Use of Donated Residence	<u>\$ 55,000</u>
--------------------------	------------------

Note 7 - Net Assets Released from Restrictions -

Net assets released from donor restrictions for incurring expenses satisfying the restricted purpose are as follows:

INDEPENDENT AUDITOR'S REPORT ON
SCHEDULE OF FEDERAL AWARDS

HANNIS T. BOURGEOIS & CO., L.L.P.

Certified Public Accountants

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MEMBER
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MEMBER
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MEMBER
STATE BOARD OF ACCOUNTS
LOUISIANA

August 22, 1996

Board of Directors
Volunteers of America,
Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Volunteers of America, Greater Baton Rouge, Inc., as of and for the year ended June 30, 1996, and have issued our report thereon dated August 22, 1996. We have also audited Volunteers of America, Greater Baton Rouge, Inc.'s compliance with requirements applicable to major federal award programs and have issued our report thereon dated August 22, 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 Nonprofit Institutions." These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether Volunteers of America, Greater Baton Rouge, Inc. complied with laws and regulations, noncompliance with which would be material to a major federal award program.

CORRECTIVE ACTION PLAN
VOLUNTEER'S OF AMERICA
GREATER RATON ROUGE, INC.
AUDIT FINDINGS
JUNE 30, 1996

INTERNAL CONTROL STRUCTURE on compliance with specific requirements applicable to major federal award programs

FINDINGS: Agency did not document meetings of the quality improvement committee for the Part Program. (CFR 93.892)

Agency Plans: Follow audit recommendation

Effective Date: November 1, 1996

Responsible Party: William P. Coffey, Chief Executive Officer

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CORRECTIVE ACTION PLAN
VOLUNTEER'S OF AMERICA
GREATER BATON ROUGE, INC.
AUDIT FINDINGS
JUNE 30, 1996

INTERNAL CONTROL STRUCTURE in accordance with Government Auditing Standards

FINDINGS: Accounts Receivable determined to be uncollectible

Agency Plan: Follow audit recommendation, continue to establish, review and modify existing procedures as needed.

Effective Dates: July 1, 1996

Responsible Party: James E. Franklin, Chief Financial Officer

<u>FEDERAL GRANTOR/ PASS - THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENSES</u>
Family Based Services, Family Preserva- tion	93.056	\$2,879
Family Based Services, Family Preserva- tion	93.056	\$1,000
Passed Through Louisiana Department of Health and Hospitals, Office of Mental Health FACT	93.293*	\$161,803
Total U.S. Department of Health and Human Services		\$ 165,682
<u>Federal Emergency Management Agency</u>		
Passed Through Louisiana Department of Health and Hospitals		
Mental Health Disaster Assistance and Crisis Counseling Flood 95	93.516*	\$ 444,688
Total Federal Emergency Management Agency		\$ 444,688
Total Federal Assistance		\$1,185,688

*Represents a major program.

Volunteers of America,
 Greater Baton Rouge, Inc.

SCHEDULE OF FEDERAL AWARDS

for the year ended June 30, 1996

<u>FEDERAL GRANTOR/ PASS - THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENSES</u>
<u>U. S. Department of Housing and Urban Development</u>		
Direct Program		
Special Needs Assistance Program	N/A	\$ 47,200
Passed Through City Parish		
Emergency Shelter Grants Program	14.231	53,890
Passed Through Emergency Food and Shelter National Board Program		
Emergency Food and Shelter Program	N/A	9,270
Passed Through Louisiana Department of Health and Hospitals, Office of Mental Health		
NONE	N/A	82,532
Total U. S. Department of Housing and Urban Development		\$ 162,892
<u>U. S. Department of Justice</u>		
Passed Through Louisiana Commission on Law Enforcement and Administration of Criminal Justice		
Emergency Evaluation and Treatment Program Subgrant 95-CJ-V.3-0324	26.575	\$ 28,277
95-CJ-V.3-0324	26.575	4,468
Total U. S. Department of Justice		\$ 32,745
<u>U.S. Department of Health and Human Services</u>		
Passed Through Louisiana Department of Social Services, Office of Community Services		
Family Based Services Reunification	93.667*	\$ 187,344

HANNIS T. BOURGEOIS & CO., L.L.P.

Certified Public Accountants

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STATE BOARD OF ACCOUNTANTS OF WYOMING

MEMBER
STATE BOARD OF ACCOUNTANTS OF ALABAMA

August 22, 1996

Board of Directors
Volunteers of America,
Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Volunteers of America, Greater Baton Rouge, Inc. as of and for the year then ended June 30, 1996, and have issued our report thereon dated August 22, 1996. These financial statements are the responsibility of Volunteers of America, Greater Baton Rouge, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, 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

expression of an opinion on Volunteers of America, Greater Baton Rouge, Inc.'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 Volunteers of America, Greater Baton Rouge, Inc. had not complied, in all material respects, with those requirements.

This report is intended for the Board of Directors, management, the office of the Louisiana Legislative Auditor and any cognizant agency, and should not be used for any other purpose.

Respectfully submitted,

Harris T. Bourgeois & Co., LLP

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* Louisiana Certified Public Accountants

August 22, 1996

Board of Directors
Volunteers of America,
Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Volunteers of America, Greater Baton Rouge, Inc. as of and for the year ended June 30, 1996, and have issued our report thereon dated August 22, 1996.

In connection with our audit of the financial statements of Volunteers of America, Greater Baton Rouge, Inc. and with our consideration of the Organization's internal control structure used to administer federal award 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 June 30, 1996.

As required by OMB Circular A-133, we performed auditing procedures to test compliance with the requirements governing types of services allowed or not allowed, eligibility, matching, level of effort, or earmarking, reporting, cost allocation, and special requirements that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the

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

Volunteers of America,
Greater Baton Rouge, Inc.

SCHEDULE OF FINDING AND OBSERVED COSTS

For the Year Ended June 30, 1988

1. FACT Program - CFDA 83.902

Statement of Condition - During our prior year audit work, we noted that the FACT program did not have a written quality improvement plan nor an established quality improvement committee. This was also noted by a State of Louisiana Department of Health and Hospitals Office of Mental Health site visit conducted during the year ended June 30, 1988.

Criteria - The agreement between the State of Louisiana Department of Health and Hospitals Office of Mental Health and Volunteers of America, Greater Baton Rouge, Inc. (FACT) requires that the program develop a quality improvement plan which establishes standards of performance, objective criteria defining standards, and performance indicators. Also, a quality improvement committee should be created to periodically review and monitor the results and progress of the quality improvement plan.

Effects of Condition - There appears to be no monetary effect as a result of this condition.

Cause of Condition - The Organization did not implement procedures to comply with this requirement.

Recommendation - We recommended that the organization implement procedures to develop a quality improvement plan that would establish standards of performance, objective criteria defining standards, and performance indicators. Also, a quality improvement committee should be created to review the results and progress of the quality improvement plan. The meetings and any actions taken by the quality improvement committee should then be documented.

Corrective Action Taken - During the current year, it was noted that although a quality improvement plan had been developed and a quality improvement committee had been created to review the results of the Plan, the meetings of the committee were not being documented.

Additional Recommendation - We again recommend that the meetings and any actions taken by the committee should be documented.

States, and the provisions of Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to in the second paragraph occurred. An audit includes examining, on a test basis, evidence about the Volunteers of America, Greater Baton Rouge, Inc.'s compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Finding and Questioned Costs. We considered this instance of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Volunteers of America, Greater Baton Rouge, Inc. complied, in all material respects, with the specific requirements referred to in the second paragraph that are applicable to each of its major federal award programs for the year ended June 30, 1996.

This report is intended for the Board of Directors, management, the Office of the Louisiana Legislative Auditor and any cognizant agency, and should not be used for any other purpose.

Respectfully submitted,

Harold T. Bourgeois & Co., LLP

HANNIS T. BOURGEOIS & CO., L.L.P.

Certified Public Accountants

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MEMBERS
OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

1010 L. LACROIX, SUITE 800
Baton Rouge, LA 70801

August 22, 1996

Board of Directors
Volunteers of America,
Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Volunteers of America, Greater Baton Rouge, Inc. as of and for the year ended June 30, 1996, and have issued our report thereon dated August 22, 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 Office of Management and Budget Circular A-133, "Audit of Institutions of Higher Education and Other Nonprofit Institutions." These 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 Volunteers of America, Greater Baton Rouge, Inc. is the responsibility of the Organization's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Volunteers of America, Greater Baton Rouge, Inc.'s compliance with certain provisions of laws,

We performed tests of controls, as required by GAO Circular A-113, 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 each of the Organization's major federal award programs, which are identified in the accompanying Schedule of Federal Awards. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

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 award 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 Office of the Louisiana Legislative Auditor and any cognizant agency, and should not be used for any other purpose.

Respectfully submitted,

Norris T. Bonaguidi & Co., LLP

used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Volunteers of America, Greater Baton Rouge, Inc., taken as a whole. The accompanying schedule of Federal Awards for the year ended June 30, 1998, 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 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.

Respectfully submitted,

Harris T. Bonaguidi & Co., LLP

HANNIS T. BOURGEOIS & CO., L.L.P.

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MEMBER OF THE NATIONAL ASSOCIATION OF ACCOUNTANTS

SEE LIST OF MEMBER FIRMS

* MEMBERSHIP IN THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

August 22, 1996

Board of Directors
Volunteers of America,
Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Volunteers of America, Greater Baton Rouge, Inc. as of and for the year ended June 30, 1996, and have issued our report thereon dated August 22, 1996.

We have also audited Volunteers of America, Greater Baton Rouge, Inc.'s compliance with the requirements governing types of services allowed or unallowed; eligibility; reporting; cost allocation; and specific requirements that are applicable to each of its major federal award programs, which are identified in the accompanying Schedule of Federal Awards, for the year ended June 30, 1996. The management of Volunteers of America, Greater Baton Rouge, Inc. is responsible for Volunteers of America, Greater Baton Rouge, Inc.'s compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United

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:

- Cash
- Support, Program Service Fees, revenue and receivables
- Expenses for goods and services and accounts payable
- Payroll and related liabilities
- Debt and Other liabilities
- Fund Balances

General Requirements

- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-free workplace
- Administration requirements

Specific Requirements

- Types of services
- Eligibility
- Matching, level of effort, or earmarking
- Reporting
- Cost allocation
- Special requirements, if any

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

During the year ended June 30, 1996, Volunteers of America, Greater Baton Rouge, Inc. expended 77 percent of its total federal awards under major federal award programs.

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

regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

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

This report is intended for the board of Directors, management, the Office of the Louisiana Legislative Auditor and any cognizant agency, and should not be used for any other purpose.

Respectfully submitted,

Marvin T. Bourgeois & Co., LLP

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

HANNIS T. BOURGEOIS & CO., L.L.P.

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MEMBER OF CHAMBERS LLP, P.C.
MEMBERSHIP NO. 10,000,000,000
MEMBER OF HARRIS, HARRIS & HARRIS
MEMBERSHIP NO. 10,000,000,000
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MEMBER OF HARRIS, HARRIS & HARRIS
MEMBERSHIP NO. 10,000,000,000

MEMBER OF BARRIS, SMITH, GIBSON & JONES LLP

August 22, 1996

Board of Directors
Volunteers of America,
Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Volunteers of America, Greater Baton Rouge, Inc. as of and for the year ended June 30, 1996, and have issued our report thereon dated August 22, 1996.

We have applied procedures to test the compliance of Volunteers of America, Greater Baton Rouge, Inc. with the following requirements applicable to its federal programs, which are identified in the accompanying 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
- Administration requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Audits of Institutions of Higher Learning and Other Nonprofit Institutions." Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Volunteers of America, Greater Baton Rouge, Inc.'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 Volunteers of America, Greater Baton Rouge, Inc. had not complied, in all material respects, with those requirements.

This report is intended for the Board of Directors, management, the office of the Louisiana Legislative Auditor and any cognizant agency, and should not be used for any other purpose.

Respectfully submitted,

Harris T. Bonaparte & Co., LLP

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

In planning and performing our audit for the year ended June 30, 1986, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements of Volunteers of America, Greater Baton Rouge, 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 our consideration of the internal control structure policies and procedures relevant to compliance with requirements applicable to federal award programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated August 23, 1986.

The management of Volunteers of America, Greater Baton Rouge, 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 the 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