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LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants and Management Consultants

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RUACH, INC.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND THE RELATED SINGLE AUDIT REPORTS FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 1996

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

Release Date MAR 1 1 1998

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LUTHER C. SPEIGHT & COMPANY
A Corporation of Certified Public Accountants
and Management Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ruach, Inc.

We have audited the accompanying statement of financial position of Ruach, Inc. (the Organization) (a nonprofit organization) for the fifteen months ended December 31, 1996 and the related statement of activities for the grant period 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, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ruach, Inc. as of December 31, 1996, and the changes in its net assets for the grant period then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 18, 1998 on our consideration of Ruach, Inc.'s internal control structure and a report dated February 18, 1998, on its compliance with laws and regulations.

Luther C. Speight & Co

New Orleans, Louisiana
February 18, 1998

New Orleans Office 10001 Lake Forest Blvd Suite 404 New Orleans, LA 70127 phone (504) 244-9400 fax (504) 244-8240
Atlanta Office 400 Colony Square Suite 200 Atlanta, GA 30361 phone (404) 870-9045 fax (404) 870-9005

RUACH, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 1996

ASSETS		
Current Assets		
Cash	$	5,583
Grant Receivable		248,489
Due From Other Programs (Note 2)		47,983
Total Current Assets		302,055
Property and Equipment (Note 4)		55,247
Other Assets		
Prepaid Insurance		5,259
TOTAL	$	362,561
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Due to Other Programs (Note 2)	$	47,983
Payroll Taxes Payable (Note 3)		73,405
Audit Fee Payable		8,500
LOC - Dryades Bank		174,365
Total Current Liabilities		304,253
FUND BALANCE		
Fund Balance - Property		55,247
Curr Yr. Surplus/Deficit		3,061
Total Fund Balance		58,308
Total Liabilities		362,561

See Accompanying Notes to Financial Statements

RUACH, INC.

STATEMENT OF ACTIVITIES
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 1996

REVENUE:	
Grant Revenue	$1,741,791
Interest Income	1,830
Miscellaneous Revenue	25,296
Total Revenue	$1,768,917
EXPENSES:	
Support Services:	
Salaries	849,084
Group Insurance	69,971
Payroll Taxes	109,121
Audit Fees	8,500
Total Support Services	1,036,676
Program Services:	
Furniture & Fixtures	55,247
Repair/Maintenance	16,841
Insurance	5,959
Courier/Delivery	2,586
Printing and Binding	5,168
Computer Services	11,352
Consultants - Other	393,849
Computer Supplies	8,367
Office Expense	10,460
Postage	1,126
Telephone/Answering	52,011
Conventions & Travel	38,252
Travel - Local	15,657
Rent	76,528
Seminars & Meetings	17,909
Miscellaneous Expenses	17,868
Total Program Services	729,180
Total Expenses	$1,765,856
CHANGES IN NET ASSETS	$ 3,061
NET ASSETS, BEGINNING OF YEAR	0
NET ASSETS, END OF YEAR	$ 3,061

See Accompanying Notes to the Financial Statements

RUACH, INC.

STATEMENT OF CASH FLOWS
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 1996

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in Net Assets	$ 3,061
Adjustments to Reconcile Net Revenues over Expenditures to net Cash Provided by Operating Activities:	
Changes in Operating Assets and Liabilities:	
Grant Receivable	(248,489)
Prepaid Insurance	(5,259)
Due From Other Programs	(47,983)
Payroll Taxes Payable	73,405
Due to Other Programs	47,983
Audit Fee Payable	8,500
LOC-Dryades Bank	174,365
Net Increase In Cash From Operating Activities	5,583

CASH FLOWS FROM INVESTING ACTIVITIES:

Net Decrease in Cash From Investing Activities	0

CASH FLOWS FROM FINANCING ACTIVITIES:

Net Increase in Cash From Financing Activities	0
NET DECREASE IN CASH	5,583
CASH, BEGINNING OF YEAR	0
CASH, END OF YEAR	$ 5,583

See Accompanying Notes to the Financial Statements

RUACH, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED, DECEMBER 31, 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

General - Ruach, Inc. (the Organization) is a nonprofit corporation which is located at 1515 Poydras St., in New Orleans, Louisiana. The Organization provides management consulting services to several substance abuse treatment centers in the New Orleans area. The program is primarily funded by grants from the Department of Health and Hospitals, Office of Alcohol and Drug Abuse.

Basis of Accounting - The financial statements of the Organization are prepared on the accrual basis of accounting. Accordingly, revenue is recorded when earned and expenses are recorded when incurred.

Property and Equipment - Depreciation is provided over the estimated useful lives, which ranges from 3 to 40 years, of the related assets using primarily the straight-line method.

Income Taxes - The Organization has been determined to be tax exempt under Section 501 (c) of the Internal Revenue Code.

Cash - Cash is comprised of cash on hand and in banks.

Grant Receivable – Management does not consider any of the receivables to be uncollectible at December 31, 1996. Therefore no allowance for doubtful accounts has been provided for.

2. DUE TO/ DUE FROM OTHER PROGRAMS – Consists of the following:

Due To/Due From Target Cities	$ 43,000
Due To/Due From General Fund	(2,988)
Due To/Due From CSAP	7,971
Total	47,983

3. **CONTINGENT LIABILITY** - There is a contingent liability associated with the payroll tax liability recorded in Ruach's statement of financial position It is highly probable that various penalties and interest charges will be assessed by the Internal Revenue Service due to the liability. However, the amount of the assessment is not estimable at this time. It should also be noted that Ruach, Inc. has general fund revenue that could be used to pay the penalties and interest.

4. **PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31, 1996:

Furniture and Fixtures		755
Equipment		54,492
TOTAL	$	55,247

RUACH, INC

STATEMENT OF ACTIVITIES
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 1996

	Target Cities 3 months	Target Cities 12 months	Target Cities Total	CSAP 3 months	CSAP 12 months	CSAP Total	Other 3 months	Other 12 months	Other Total	Grand Total
REVENUE:										
Grant Revenue	342,808	1,351,983	1,694,791	0	43,000	43,000	0	[illegible]	4,000	[illegible]
Interest Income	378	396	774	0		0	0	[illegible]	1,056	[illegible]
Miscellaneous Revenue	0	0	0					[illegible]	25,296	[illegible]
Total Revenue	343,186	1,352,379	1,695,565	0	43,000	43,000	0	[illegible]	30,352	[illegible]
EXPENSES:										
Support Services:										
Salaries	148,066	669,803	817,869	0	19,615	19,615	0	11,600	11,600	849,084
Group Insurance	14,616	42,840	57,456	0	0	0	0	0	0	57,456
Payroll Tax Expense	11,327	106,378	117,705	0	3,044	3,044	0	887	887	121,636
Audit Fees	0	0	0	0	8,500	8,500	0		0	8,500
Total Support Services	174,009	819,021	993,030	0	31,159	31,159	0	12,487	12,487	1,036,676
Program Services:										
Furniture & Fixtures	0	55,247	55,247	0	0	0	0	0	0	55,247
Repair/Maintenance	920	15,918	16,838	0	0	0	0	3	3	16,841
Insurance	0	5,959	5,959	0	0	0	0		0	5,959
Courier/Delivery	410	2,176	2,586	0	0	0	0		0	2,586
Printing and Binding	2,493	2,133	4,626	0	542	542	0		0	5,168
Computer Services	70	11,282	11,352	0	0	0	0		0	11,352
Consultants - Other	85,380	292,819	378,199	0	10,950	10,950	0	4,700	4,700	393,849
Computer Supplies	2,491	5,876	8,367	0	0	0	0		0	8,367
Office Expense	1,098	8,510	9,608	0	691	691	0	161	161	10,460
Postage	0	1,030	1,030	0	96	96	0		0	1,126
Telephone/Answering	420	47,730	48,150	0	1,375	1,375	0	2,486	2,486	52,011
Conventions & Travel	8,653	26,014	34,667	0	1,530	1,530	0	2,055	2,055	38,252
Travel - Local	2,911	11,193	14,104	0	724	724	0	829	829	15,657
Rent	13,733	59,001	72,734	0	3,696	3,696	0	98	98	76,528
Seminars & Meetings	2,215	15,122	17,337	0	50	50	0	522	522	17,909
Miscellaneous Expenses	2,897	4,125	7,022	0	2,370	2,370	0	8,476	8,476	17,868
Total Program Services	123,691	564,135	687,826	0	22,024	22,024	0	19,330	19,330	729,180
Total Expenses	297,700	1,383,156	1,680,856	0	53,183	53,183	0	31,817	31,817	1,765,856
CHANGES IN NET ASSETS	45,486	(30,777)	14,709	0	(10,183)	(10,183)	0	(1,465)	(1,465)	3,061
NET ASSETS, BEGINNING OF YEAR	0	0	0	0	0	0	0	0	0	0
NET ASSETS, END OF YEAR	45,486	(30,777)	14,709	0	(10,183)	(10,183)	0	(1,465)	(1,465)	3,061

INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF FEDERAL AWARDS

To the Board of Directors of
Ruach, Inc.

We have audited the financial statements of Ruach, Inc. (the Organization) (a non-profit organization) for the fifteen months ended December 31, 1996, and have issued our report thereon dated February 18, 1998. 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 (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Non-profit Organizations." 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 principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Ruach, Inc. taken as a whole. The accompanying Schedule of Federal Awards for the fifteen month period of October 1, 1995 to December 31, 1996, which is also the responsibility of the Organization's management, is presented for purposes of additional analysis and is not a required part of the financial statements. The information in this schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

This report is intended for the information of the Organization's Board of Directors, management, and the City of New Orleans. This is not intended to limit the distribution of this report, which is matter of public record.

Luther Speight & Co

New Orleans, Louisiana
February 18, 1998

RUACH, INC.

SCHEDULE OF FEDERAL AWARDS
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 1996

Federal Grantor/ Pass Through Grantor	Federal Contract Number	Expenses
Department of Health and Hospitals/ Office of Alcohol and Drug Abuse	ADA-96-HP-0237	$ 1,680,856
City of New Orleans	96-HLTH-063	43,000
Total		$ 1,723,856

RUACH, INC.

NOTES TO THE SCHEDULE OF FEDERAL AWARDS
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 1996

1. **SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

General - Ruach, Inc. (the Organization) is a nonprofit corporation which is located at 1515 Poydras St., in New Orleans, Louisiana. The Organization provides management consulting services to several substance abuse treatment centers in the New Orleans area. The program is primarily funded by grants from the Department of Health and Hospitals, Office of Alcohol and Drug Abuse.

Basis of Accounting - The financial statements of the Organization are prepared on the accrual basis of accounting. Accordingly, revenue is recorded when earned and expenses are recorded when incurred.

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

To the Board of Director of
Ruach, Inc.

We have audited the financial statements of the Ruach, Inc. (the Organization) (a non-profit organization) as of and for the fifteen months ended December 31, 1996, and have issued our report thereon dated February 18, 1998.

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

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

The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards* for which the ultimate resolution cannot be determined. Accordingly, no provision for any liability that may result has been recognized in the Organization's financial statements.

We considered these instances of noncompliance in forming our opinion on whether the Organization's financial statements for federal and state grants are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated February 18, 1998, on those financial statements.

This report is intended for the information of the Organization's Board of Directors, management, the City of New Orleans and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

Luther Speight & Co

New Orleans, Louisiana
February 18, 1998

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

To the Board of Directors of
Ruach, Inc.

We have audited the financial statements of Ruach, Inc. (the Organization) (a nonprofit organization) as of and for the fifteen months ended December 31, 1996, and have issued our report thereon dated February 18, 1998.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations." 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 the Organization is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

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

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our 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.

We believe the following situations to be reportable conditions as described above:

- Current year audit not engaged timely.
- Salaries & Payroll taxes were not reconciled to the 941's.
- Accounting subledger did not reconcile to General Ledger.

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

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We noted one matter involving the internal control structure and its operation that we consider to be a material weakness as defined above.

We believe the following situation to be a material weaknesses as described above:

- Accounting subledger did not reconcile to General Ledger.

This report is intended for the information of the Organization's Board of Directors, management, the City of New Orleans and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

Luther Speight & Co

New Orleans, Louisiana
February 18, 1998

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

To the Board of Directors of
Ruach, Inc.

We have audited the financial statements of Ruach, Inc. (the Organization) (a nonprofit organization) as of and for the fifteen months ended December 31, 1996, and have issued our report thereon dated February 18, 1998.

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

In planning and performing our audits for the fifteen months ended December 31, 1996, we considered the internal control structure of Ruach, Inc. in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements of the Center and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal award programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated February 18, 1998.

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

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

Accounting Controls:

- Grant Revenues and Cash Receipts
- Purchases and Cash Disbursements
- General Ledger and Financial Reporting
- Grant Accounting

Controls used in administering compliance with Laws and Regulations:

<u>General Requirements:</u>
- Political Activity
- Civil Rights
- Drug-Free Workplace Act
- Federal Financial Reports
- Allowable Costs/Cost Principles
- Administrative Requirements

<u>Specific Requirements:</u>
- Types of Services
- Eligibility
- Advances and reimbursements
- Amounts claimed or used for matching as determined by the OMB Circulars A-21 and other applicable cost principles or regulations that are applicable to each of its major programs
- Reporting

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 fifteen months ended December 31, 1996, the Organization had one major program and expended 100 percent of its total federal awards under its major program.

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

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

We believe the following situations to be reportable conditions as described above:

- Current year audit not engaged timely.
- Salaries & Payroll taxes were not reconciled to the 941's.
- Accounting subledger did not reconcile to General Ledger.

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 amount that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

We believe that the following reportable condition is also a material weakness as described above:

- Accounting subledger did not reconcile to General Ledger.

This report is intended for the information of the Organization's Board of Directors, management, the City of New Orleans and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

Luther Speight & Co.

New Orleans, Louisiana
February 18, 1998

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

To the Board of Director's of
Ruach, Inc.

We have audited the financial statements of Ruach, Inc. (the Organization) (a non-profit Organization) as of and for the fifteen months ended December 31, 1996, and have issued our report thereon dated February 18, 1998.

We have applied procedures to test the Organization's compliance with the following requirements applicable to its federal award programs, which are identified in the accompanying Schedule of Federal Awards, for the fifteen months ended December 31, 1996: political activity, civil rights, allowable costs, Drug Free Workplace Act, federal financial reports, and administrative requirements.

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

With respect to the items tested, the results of our procedures disclosed one 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 Ruach, Inc. had not complied, in all material respects, with those requirements. The following is a matter of material weakness as defined above:

This report is intended for the information of the Organization's Board of Directors, management, the City of New Orleans and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

Luther C. Speight & Co.

New Orleans, Louisiana
February 18, 1998

Celebrating 50 Years

LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants
and Management Consultants

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

To the Board of Directors of
Ruach, Inc.

We have audited the financial statements of Ruach, Inc. (the Organization) (a nonprofit Organization) as of and for the fifteen months ended December 31, 1996, and have issued our report thereon dated February 18, 1998.

We have also audited the compliance of the Organization with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to each of its major federal award programs, which are identified in the accompanying Schedule of Federal Awards, for the fifteen months ended December 31, 1996. The management of Ruach, Inc. is responsible for the organization's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those 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." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to in the second paragraph occurred. An audit includes examining, on a test basis, evidence about the organization's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no material instances of noncompliance with the requirements referred to above.

In our opinion, Ruach, 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 fifteen months ended December 31, 1996.

New Orleans Office 10001 Lake Forest Blvd Suite 404 New Orleans, LA 70127 phone (504) 244-9400 fax (504) 244-8240
Atlanta Office 400 Colony Square Suite 200 Atlanta, GA 30361 phone (404) 870-9045 fax (404) 870-9005

This report is intended for the information of Ruach, Inc.'s Board of Directors, management, the City of New Orleans and Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

New Orleans, Louisiana
February 18, 1998

RUACH, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FIFTEEN MONTHS ENDED, DECEMBER 31, 1996

FINDINGS # 1: CURRENT YEAR AUDIT NOT ENGAGED TIMELY

QUESTIONED COST: NOT APPLICABLE

CONDITION:

During our audit it was noted that Ruach, Inc. did not engage their audit in a timely manner.

EFFECT OF CONDITION:

The effect of this condition is the organization's noncompliance with the requirements in Louisiana revised statues (LSA-RS) 24.513.

CRITERIA:

The audit must be completed within six months of the close of the fiscal year or if engaged after the close of the fiscal period, within six months of the engagement agreement.

RECOMMENDATION:

The audit should be engaged within six months of the fiscal year, or completed within six months of the engagement agreement.

MANAGEMENT RESPONSE:

Our organization has already made arrangements to contract auditors for the period ended December 31, 1997.

FINDINGS # 2: PAYROLL TAX EXPENSE

QUESTIONED COST: NOT APPLICABLE

CONDITION: During our examination we noted that salaries and related payroll taxes did not agree to two of the 941's.

EFFECT OF CONDITION: The effect of this condition is that Ruach, Inc. underpaid its quarterly payroll taxes, which resulted in the organization having to pay penalties and interest.

RECOMMENDATION: We recommend that Ruach, Inc. reconcile their salaries and related payroll tax accounts on a quarterly basis to Form 941.

MANAGEMENT RESPONSE:

Our accountant has filed amended 941's associated with this fiscal year.

FINDINGS # 3: ACCOUNTING SYSTEM

QUESTIONED COST: NOT APPLICABLE

CONDITION:

When reviewing the accounting system, we noted the following:

1. The subledgers did not reconcile to the general ledger.

2. Explanations accompanying the monthly journal entries were inadequate.

EFFECT OF CONDITION:

The effect of this condition is the possible misstatement of amounts on the organization's financial statements.

RECOMMENDATION:

We recommend that all subledger be reconciled to the general ledger to support the entries in the accounting records. Full explanations and adequate supporting data should accompany all journal entries.

MANAGEMENT RESPONSE:

Procedures have been implemented, whereby our accountant reconciles all subledgers to the general ledger on a monthly basis. Also, all journal entries are given a written explanation when they are posted.