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Bruno & Tervalon

CERTIFIED PUBLIC ACCOUNTANTS

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VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.

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DEC 17 1997

Private Date _____

CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 1997
WITH COMPARATIVE TOTALS FOR JUNE 30, 1996

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Volunteers of America of Greater New Orleans, Inc.

We have audited the accompanying consolidated statements of financial position of Volunteers of America of Greater New Orleans, Inc. (the Organization) as of June 30, 1997 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The financial statements of the Organization as of and for the year ended June 30, 1996 were audited by other auditors whose report dated September 25, 1996 expressed an unqualified opinion on these financial statements.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements referred to above present fairly, in all material respects the consolidated financial position of Volunteers of America of Greater New Orleans, Inc. as of June 30, 1997, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
Volunteers of America of Greater New Orleans, Inc.

In accordance with Government Auditing Standards, we have also issued our report dated October 10, 1997 on our consideration of Volunteers of America of Greater New Orleans, Inc.'s internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants.

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

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

October 10, 1997

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 1997
 WITH COMPARATIVE TOTALS FOR JUNE 30, 1996

	1997	1996
ASSETS		(NOTE 2)
Current assets:		
Cash and cash equivalents	\$ 144,264	\$ 88,500
Accounts receivable, net of allowance for doubtful accounts of \$88,844 (NOTE 3)	1,547,364	1,544,531
Prepaid expenses	13,184	21,282
Other current assets	21,519	113,926
Total current assets	1,726,331	1,768,239
Fixed assets (NOTE 2):		
Land and buildings	4,436,143	3,754,022
Vehicles, furnishings and equipment	2,083,579	1,806,915
Accumulated depreciation	(3,364,611)	(3,308,385)
Total fixed assets	3,155,111	2,252,552
Other assets:		
Investments (NOTE 4)	1,387,937	1,059,436
Investment in YDA Development, Inc. (NOTE 11)	354,667	82,790
Incumbered assets (NOTE 6)	92,282	35,424
Total other assets	1,834,886	1,177,650
Total assets	\$ 5,516,528	\$ 5,198,441

The accompanying notes are an integral part of these consolidated financial statements.
 (CONTINUED)

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 (CONTINUED)
 JUNE 30, 1997

WITH COMPARATIVE TOTALS FOR JUNE 30, 1996

	1997	1996
LIABILITIES AND NET ASSETS		(NOTE 2)
Current liabilities:		
Bank overdrafts	\$ 130,158	\$ 102,096
Accounts payable	95,566	218,250
Mortgages and notes payable-current (NOTE 7)	406,432	528,719
Accrued expenses	483,790	280,025
Other current liabilities	<u>207,088</u>	<u>61,074</u>
Total current liabilities	1,322,834	1,210,164
Other liabilities:		
Mortgages and notes payable- non-current (NOTE 7)	1,215,300	856,014
Other	<u>7,482</u>	<u>7,482</u>
Total other liabilities	1,222,782	863,496
Total liabilities	2,545,616	2,073,660
Net assets:		
Unrestricted	3,718,580	3,311,894
Permanently restricted	<u>22,506</u>	<u>27,368</u>
Total net assets	3,741,086	3,339,262
Total liabilities and net assets	<u>\$ 6,286,702</u>	<u>\$ 5,412,922</u>

The accompanying notes are an integral part of these consolidated financial statements.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
 CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 1987

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1986

	Unrestricted	Permanently Restricted	1987	1986 (NOTE 2)
REVENUES				
Revenues from Operations:				
Public Support Received Directly	\$ 79,485	\$ -	\$ 79,485	\$ 75,645
Contributions	80,452	-	80,452	90,738
Special events, net of direct benefit cost of \$28,219	118,162	-	118,162	119,814
Public Support Received Indirectly: United Way	200,104	-	200,104	208,989
Total public support	9,805,098	-	9,805,098	1,678,601
Revenue and Grants from Governmental Agencies				
Other Revenue:				
Program service fees	611,241	-	611,241	613,572
Rental income (NOTE 8)	9,242	-	9,242	8,967
Sales of material & services, net of direct benefit cost of \$21,351	1,586,188	-	1,586,188	1,514,168
Total other revenue	2,196,763	-	2,196,763	2,136,707
Total Revenues from Operations	12,181,082	-	12,181,082	11,564,499

The accompanying notes are an integral part of these consolidated financial statements.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
 CONSOLIDATED STATEMENTS OF ACTIVITIES, CONTINUED
 FOR THE YEAR ENDED JUNE 30, 1997
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1996

	Unaudited	1997	1996 (NOTE 2)
EXPENSES			
Operating Expenses:			
Program Services:			
Sheltered/Remunerative Employment	\$ 1,471,213	\$ 1,471,213	\$ 1,560,920
Community Living Services	2,442,864	2,442,864	2,444,498
Supported Living Services	1,997,335	1,997,335	1,729,829
Elderly Services	377,275	377,275	518,075
Community Connectional Center	1,693,780	1,693,780	792,693
Family Services	993,266	993,266	743,721
Children Services	1,042,900	1,042,900	1,028,108
Maternity Services	266,848	266,848	217,947
Neighborhood Development	1,678	1,678	-
Care Management	893,652	893,652	1,348,652
Total Program Services	<u>12,332,401</u>	<u>12,161,101</u>	<u>9,809,232</u>
Support Services:			
Training and Evaluation	128,238	128,238	88,297
Community Support	55,876	55,876	111,608
Management and General	1,218,328	1,218,328	1,100,171
Total Support Services	<u>1,402,442</u>	<u>1,402,442</u>	<u>1,299,106</u>
Administration Fee	<u>278,868</u>	<u>278,868</u>	<u>278,408</u>
Total Operating Expenses	<u>14,013,511</u>	<u>13,844,611</u>	<u>11,376,746</u>

The accompanying notes are an integral part of these consolidated financial statements.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 1987
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1986

	<u>1987</u>	<u>1986</u>
Operating activities:		(NOTE 1)
Change in net assets	\$ 299,173	\$ 99,892
Adjustments to reconcile change in assets to net cash provided by operating activities:		
Depreciation and amortization	365,496	230,207
Prior period adjustment	(184,087)	-
Unrealized gains on investments	(94,889)	(18,159)
Gains on sales of investments	(81,400)	(4,088)
Changes in operating assets and liabilities:		
Accounts receivable	(2,873)	(34,488)
Prepaid expenses	8,098	(3,298)
Other assets	92,497	(14,182)
Encumbered assets	(60,927)	-
Accounts payable	(142,688)	(133,140)
Accrued expenses	399,170	5,204
Other current and noncurrent liabilities	145,133	(82,586)
Net cash provided by operating activities	<u>718,126</u>	<u>28,312</u>
Investing activities:		
Proceeds from sale of investments	1,675,283	2,104,894
Purchase of investments	(1,631,188)	(2,048,283)
Proceeds from sale of property and equipment	186,611	4,800
Purchase of property and equipment	(1,715,085)	(164,354)
Increase in Investment in VDA Development, Inc.	(284,027)	(23,584)
Net cash used in investing activities	<u>(1,268,622)</u>	<u>(101,627)</u>
Financing activities:		
Increase in bank overdraft	217,363	91,414
Net increase in note payable	601,742	83,363
Payments on mortgage and loans payable	(295,022)	(121,854)
Net cash provided by (used in) financing activities	<u>524,083</u>	<u>52,923</u>
Net increase (decrease) in cash and cash equivalents	51,701	(498,178)
Cash and cash equivalents, beginning of year	<u>88,261</u>	<u>574,679</u>
Cash and cash equivalents, end of year	<u>\$ 140,262</u>	<u>\$ 76,501</u>
Supplemental disclosures for Cash Flow Purposes:		
Interest paid	<u>\$ 140,262</u>	<u>\$ 117,093</u>

The accompanying notes are an integral part of these consolidated financial statements.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Volunteers of America of Greater New Orleans, Inc. (VOA/GNO, Inc.) is a not-for-profit Christian human services organization, recognized as a church, incorporated in the State of Louisiana, which provides social services within the Greater New Orleans and Southeast Louisiana areas, and operates under a charter issued by Volunteers of America, Inc. (VOA, Inc.), a national religious not-for-profit corporation.

VOA/GNO, Inc. operates and maintains programs to meet a wide variety of needs for individuals in VOA/GNO, Inc.'s service areas. The programs provide numerous social services including the following:

Sheltered Reintegration Employment

This program provides shelter, employment and a mission program for homeless alcoholic men in a supportive drug and alcohol-free environment to promote personal self-worth and dignity through productive work and sobriety.

This program is funded through contributions, sales to the public, salvage and thrift store operations and fund raising activities.

Community Living Services

This program provides pre-vocational and vocational placement, employment support and a day treatment program placement for adults with developmental disabilities in an effort to enhance their self-esteem and functional productivity in a small, community-based residential setting.

This program is funded by the State of Louisiana, Department of Health and Hospitals, Title XIX and fund raising activities.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION
CONTINUED

Supported Living Services

This program serves adults with developmental disabilities and/or mental illness by helping them maintain their own residence in the community and provides training in personal, vocational and social skills and supportive counseling. The program also assist in meeting the medical, employment, financial, recreational and mobilization needs.

This program is funded by the State of Louisiana, Department of Health and Hospitals, Office of Mental Health and Office of Community Services and fund raising activities.

Elderly Services

This program fosters independent living with dignity and a sense of self-reliance for the elderly. The program also sponsors educational and health-related activities, transportation services, repairs on wheels and ability protective services.

This program is funded by the United Way, contributions, various state grants and fund raising activities.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION
CONTINUED

Community Correctional Centers

This program re-establishes family relationships and support, gainful employment, and drug abstinence for men and women that are being released from federal institutions.

This program is funded by the Department of Justice Bureau of Prisons, Pre-Trial Services and fund raising activities.

Juvenile Services

This program provides services to individuals and their families who are chronically mentally ill and are homeless and provides a family-like environment for boys ages 5-18 who are emotionally disturbed or delinquent.

This program is funded by the State of Louisiana, Department of Health and Hospitals and fund raising activities.

Children's Services

This program provides services to children with developmental disabilities from birth to age 18 to enhance their functioning by living in small, typical homes in the community.

This program is funded by the State of Louisiana, Department of Health and Hospitals, Title XIX and fund raising activities.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION
CONTINUED

Maternity Services

This program provides young women with viable positive alternatives when facing single parenthood by providing counseling for pregnant young women and providing adoption services.

This program is funded by the United Way, program service fees and fund raising activities.

Neighborhood Development

This program is in its formative stages with an aim toward improving and developing the surrounding environment in conjunction with the goals and objectives of VOA/GNO, Inc.

This program is funded through fund raising activities.

Case Management

This program provides overall case management for individuals with mental illness.

This program is funded by the State of Louisiana, Department of Health and Hospitals and fund raising activities.

Training and Evaluation

This program identifies, facilitates and coordinates training to ensure that the staff members are equipped to perform their jobs.

This program is funded through fund raising activities.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION
CONTINUED

Community Support

This program solicits community support to facilitate and promote the operations of VOA/GNO, Inc.

This program is funded through fund raising activities.

Management and General

This program facilitates and coordinates the operations of VOA/GNO, Inc.. The resources of management and general are used to fund operations of VOA/GNO, Inc. that are not directly covered by specific programs administered by VOA/GNO, Inc..

This program is funded through program service fees and fund raising activities.

Community Living Center, Inc. (CLC, Inc.) is a not-for-profit corporation organized under the laws of the State of Louisiana and sponsored by VOA/GNO, Inc. No capital stock is authorized, issued, or outstanding. CLC, Inc. was formed to acquire an interest in real property and to construct and operate thereon two six-unit group homes under Section 202 of the National Housing Act in order to provide housing for persons developmentally disabled. CLC, Inc. operates PHA Project No. 864-216-034-918C-L8-NP.

Throughout the notes to the consolidated financial statements, VOA/GNO, Inc. and CLC, Inc. will be collectively referred to as the Organization. The financial statements of VOA/GNO, Inc. and CLC, Inc. have been consolidated as they are under common management.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis for Consolidation

The accompanying consolidated financial statements include the accounts of Community Living Center, Inc. Intercompany transactions and balances have been eliminated in consolidation.

Investments

In accordance with SFAS No. 124 investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets.

All other investments are reported at historical cost, if purchased, or if contributed at fair value at the date of contribution.

Property and Equipment

Land, buildings, vehicles, and furnishings and equipment purchased by the Organization are recorded at cost. Donations of property and equipment are recorded at their fair value at the date of gift. All expenditures for land, buildings and equipment over \$1,000 are capitalized. The fair value of donated fixed assets are also capitalized.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
CONTINUED

Depreciation and amortization is computed using the straight-line method based upon the following estimated useful lives:

	Years
Buildings and improvements	10 - 40
Furnishings and equipment	5 - 10
Vehicles	3 - 5

Net Assets

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, temporarily restricted, and permanently restricted. In addition, the Organization is required to present a statement of cash flows. The Organization has discontinued its use of fund accounting and, accordingly, reclassified its financial statements to present the three classes of net assets as applicable.

A description of the two applicable net asset categories identified in the consolidated financial statements are as follows:

Unrestricted Net Assets

Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and the expenses incurred in conducting the missions of the Organization are included in this category. The Organization has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the Organization and therefore the Organization's policy is to record these net assets as unrestricted.

Permanently Restricted Net Assets

Permanently restricted net assets are required by donor-imposed restrictions to be invested in perpetuity and are unavailable for general use of the Organization.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
CONTINUED

Contributions

Under 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. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Contributions are generally recorded only upon receipt, unless an unconditional promise to give has been received and conferred. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Allowances for Losses

Allowances for estimated losses on receivables are provided when, in the opinion of management, such losses are expected to be incurred.

Encumbered Assets

Encumbered assets represent the total of all assets encumbered by legal agreements or are otherwise unavailable for the general use of the organization. This category generally includes assets such as client/custodial funds, escrow/reserve funds, and permanently restricted assets.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
CONTINUED

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.

Annual Leave

All full-time employees are permitted to accrue a maximum of 168 hours of annual leave. Upon termination of employment, an employee is paid for their accrued annual leave at their current hourly rate of pay.

Donated Merchandise

The Organization operates salvage stores where donated merchandise is resold to the public. This merchandise is not assigned a value and in the opinion of management, there is no objective basis for determining the fair value of these items.

Income Taxes

The Organization is included in the group income tax exemption granted to VOA, Inc. Accordingly, the Organization is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as a religious organization described in Section 501(c)(3). The federal tax exemption also extends to state income taxes.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
CONTINUED

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 may differ from those estimates.

Allocation of Functional Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain cost have been allocated among the programs and supporting services benefited.

Cash Equivalents

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

Summary of Financial Information for 1996

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Organization's financial statements for the year ended June 30, 1996, from which the summarized information was derived.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
CONTINUED

Reclassification

Certain reclassification have been made to prior years' financial statements to conform to the current year's presentation.

NOTE 3 - ACCOUNTS RECEIVABLE

At June 30, 1997 amounts included in accounts receivable were as follows:

Accounts receivable	\$1,838,038
Less: Allowance for doubtful accounts	<u>(28,646)</u>
Accounts receivable, net	<u>\$1,809,392</u>

The following represents an analysis of the allowance for doubtful accounts for the year ended June 30, 1997:

Balance at June 30, 1996	\$ 70,492
Provision for doubtful accounts	<u>18,152</u>
Balance at June 30, 1997	<u>\$ 88,644</u>

NOTE 4 - INVESTMENTS

Investments are stated at fair value and are summarized as follows as of June 30, 1997:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Equity securities	\$ 382,957	\$ 409,206	\$ 409,206
Fixed income	562,572	560,710	560,710
Mutual funds	<u>179,562</u>	<u>218,921</u>	<u>218,921</u>
	<u>\$ 1,124,891</u>	<u>\$1,187,927</u>	<u>\$1,187,927</u>

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS
CONTINUED

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 1997:

	Unrestricted	Restricted	Total
Interest income	\$ 39,804	\$ -	\$ 39,804
Unrealized gains on investments	84,809	-	84,809
Realized gains on sale of investments	<u>87,430</u>	<u>±</u>	<u>87,430</u>
	<u>\$211,263</u>	<u>\$ ±</u>	<u>\$211,263</u>

The primary investment objective of the Organization is to preserve and protect its assets, by earning a total return appropriate to time horizon, liquidity needs, and risk tolerance.

To accomplish the Organization's investment objectives, the Organization utilizes portfolios of equity securities (common stocks and convertible securities), fixed-income securities, and short-term investments.

NOTE 5 - FIXED ASSETS

Fixed assets consist of the following at June 30, 1997:

Land	\$ 629,760
Buildings and building improvements	3,800,442
Vehicles	490,678
Furnishings and equipment	<u>1,602,811</u>
	6,523,722
Less: Accumulated depreciation	<u>(3,364,611)</u>
	<u>\$ 3,159,111</u>

Depreciation expense was \$265,406 for the year ended June 30, 1997.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - ENCUMBERED ASSETS

At June 30, 1997 amounts included in encumbered assets were as follows:

Cash and cash equivalents	509,896
Investments, at fair value	22,306
	<u>532,202</u>

NOTE 7 - MORTGAGES AND NOTES PAYABLE

The following is a summary of mortgages and notes payable at June 30, 1997:

Mortgages payable to banks secured by land and buildings with interest rates ranging from 6.00% - 9.25%, payable in monthly installments ranging from \$827 - \$5,816, with maturity dates ranging from August, 1997 - June 2024	\$1,371,786
Notes payable to banks secured by vehicles, furnishings and equipment with interest rates ranging from 6.00% - 8.95%, payable in monthly installments ranging from \$323 - \$1,617 with maturity dates ranging from August 1997 - February 1999	64,636
Advances under a line-of-credit with a variable interest rate, with no stated maturity date.	<u>235,000</u>
	1,671,422
Less: Current portion	<u>(436,322)</u>
	<u>\$1,235,100</u>

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - MORTGAGES AND NOTES PAYABLE
CONTINUED

Scheduled principal payments due on the above mortgages and notes subsequent to June 30, 1997 are as follows:

Year ended June 30,____	
1998	\$ 436,312
1999	343,777
2000	173,217
2001	70,990
2002	70,990
Subsequent years	<u>636,122</u>
	<u>\$1,621,422</u>

Interest expense for the year ended June 30, 1997 was \$140,503.

NOTE 8 - RELATED PARTY TRANSACTIONS

VOA, Inc. provides administrative services to the Organization for a fee. These Administrative fees for the fiscal year ended June 30, 1997 totaled \$278,866.

Prior to July 1, 1993 VOA Housing Corporation managed the two complexes operated by CLC, Inc. and as of June 30, 1997, \$26,436 was included in other current liabilities for management fees due to VOA Housing Corporation.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - LEASES

The Organization has several operating leases for the rental of office space which are noncancellable over the next year. Additionally, the Organization has several operating leases for the rental of office space on a month-to-month basis.

Minimum future rental payments under noncancellable operating leases having remaining terms in excess one year as of June 30, 1997 for each of the next five years and in the aggregate are as follows:

Year ended June 30 _____	
1998	\$ 95,772
1999	92,772
2000	92,772
2001	37,969
2002	1,200
Subsequent to 2002	<u>4,800</u>
	<u>\$315,225</u>

Rental expense under the noncancellable operating leases for the year ended June 30, 1997 was \$114,772.

NOTE 10 - PENSION PLAN FOR MINISTERS

VOA/GNO, 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 \$38,074 for the year ended June 30, 1997.

Because the plan is a multi-employer plan, the accumulated benefits and net assets available for benefits as they related to VOA/GNO, Inc. are not readily available.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - EMPLOYER BENEFIT PLANS

The Organization offers a Section 405(b) plan to all eligible ministers. Ministers are eligible to participate after completing 12 months of service. Under the terms of the plan, the Organization contributes 3.50% of yearly employee compensation and matches an additional .25% of employee contributions up to a total maximum contribution of 3.75% of yearly employee compensation. The Organization contributed approximately \$73,662 to the plan for the year ended June 30, 1997.

NOTE 12 - PRIOR PERIOD ADJUSTMENT

Net assets at July 1, 1996 has been adjusted to reflect the following:

Accrual of annual leave	\$ 157,600
Over accrual of grant revenues	<u>36,484</u>
Total reduction of net assets	\$ 184,084

Accrual of Annual Leave

The Organization failed to record the liability for accrued annual leave in the prior year.

Over Accrual of Grant Revenues

The Organization over accrued revenues in the prior year of \$36,484, related to a grant from State of Louisiana.

Had the above adjustments been recorded in the prior year, change in unrestricted net assets for 1996 would have decreased by \$184,084.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 - INVESTMENT IN VOA DEVELOPMENT, INC.

VOA Development, Inc. is a wholly-owned subsidiary of VOA/GNO, Inc. VOA Development, Inc. is a not-for-profit corporation that was incorporated on May 15, 1993 for the sole purpose of entering a partnership agreement with a local bank to own a homeless shelter in the Greater New Orleans area. VOA Development, Inc. is a 1% general partner in this partnership and VOA/GNO, Inc. is responsible for the day-to-day operations of the homeless shelter. During fiscal year 1997, the partnership had no operations.

NOTE 14 - FAIR VALUES OF FINANCIAL INSTRUMENTS

Cash and Cash Equivalents

The carrying amount approximates fair value due to the short-term nature of the instruments.

Investments

Fair value have been determined using quoted market prices for all investments.

Accounts Receivable, Net

The carrying amount of accounts approximates the fair value.

Accounts Payable and Bank Overdrafts

The carrying amounts have been determined to approximate the fair value.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 - FAIR VALUES OF FINANCIAL INSTRUMENTS
CONTINUED

Mortgage and Notes Payable

The carrying amounts have been determined to approximate the fair value.

The carrying amounts and estimated fair value of the Organization's financial instruments as of June 30, 1997 are as follows:

	<u>Carrying Amounts</u>	<u>Fair Value</u>
Financial Assets:		
Cash and equivalents	\$ 144,264	\$ 144,264
Investments	1,187,937	1,187,937
Accounts receivable, net	1,347,394	1,347,394
	<u>\$2,679,595</u>	<u>\$2,679,595</u>
Financial Liabilities:		
Bank overdrafts	\$ 330,199	\$ 330,199
Accounts payable	89,568	89,568
Mortgage and notes payable	1,621,422	1,621,422
	<u>\$2,041,189</u>	<u>\$2,041,189</u>

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 - CONTINGENCIES

Funding Sources

The Organization receives fees and grants from local, state and federal governmental agencies. The programs sponsored by these agencies are subject to discretionary audits by the granting agencies. There have been no audits by granting agencies in fiscal year 1997 and management does not anticipate any adjustments as a result of future audits. Any adjustment from an audit performed by a granting agency would flow through the consolidated financial statements during the year of the audit as a change in an accounting estimate.

Grant agreements and contracts allow the Organization to transfer surpluses to the current unrestricted fund at the end of each fiscal year.

Legal

The Organization is a defendant in various lawsuits. However, in the opinion of management, the amount of potential loss, if any, will not materially impact these consolidated financial statements.

SUPPLEMENTARY INFORMATION

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
 CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 1987

WITH COMBINATIVE TOTALS FOR JUNE 30, 1986

	YOACOMO, Inc.	CLC, Inc.	Total 1987	Eliminations D-(2)-(1)	Consolidated 1987	Consolidated 1986 (NOTE 2)
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 126,811	\$ 7,453	\$ 134,264	\$ 0	\$ 144,264	\$ 85,579
Accounts receivable, net of allowance for doubtful accounts of \$53,644 (NOTE 3)	1,547,364	0	1,547,364	0	1,547,364	1,344,521
Account receivable - CLC, Inc.	85,191	0	85,191	85,191	0	0
Notes receivable - CLC, Inc.	11,371	0	11,371	(11,371)	0	0
Prepaid expenses	12,455	729	13,184	0	13,184	21,282
Other current assets	21,217	312	21,529	0	21,529	113,828
Total current assets	1,814,308	8,494	1,822,802	85,320	1,736,361	1,758,230
Fixed Assets (NOTE 3)						
Land and building	3,858,372	549,771	4,408,143	0	4,408,143	3,794,822
Vehicle, furniture and equipment	2,063,576	0	2,063,576	0	2,063,576	1,826,815
Accumulated depreciation	(3,221,115)	(114,458)	(3,335,573)	0	(3,335,573)	(3,128,828)
Total fixed assets	2,700,833	435,313	3,136,146	0	3,136,146	2,492,809
Other assets:						
Investments (NOTE 4)	1,187,827	0	1,187,827	0	1,187,827	1,253,426
Long-term notes receivable - CLC, Inc.	33,684	0	33,684	(33,684)	0	0
Investment in YOA (Development, Inc. (NOTE 1))	364,687	0	364,687	0	364,687	68,580
Encumbered assets (NOTE 5)	88,289	5,813	94,102	0	94,102	38,424
Total other assets	1,664,487	5,813	1,670,300	(33,684)	1,644,828	1,370,430
Total assets	\$ 6,242,984	\$ 429,610	\$ 6,672,594	\$ (128,888)	\$ 6,543,706	\$ 5,298,172

See Independent Auditor Report on Supplementary Information

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
 CONSOLIDATING STATEMENTS OF FINANCIAL POSITION (CONTINUED)

JUNE 30, 1987

WITH COMPARATIVE TOTALS FOR JUNE 30, 1986

	VOLUNTEER, Inc.	CLC, Inc.	Total 1987	Eliminations 1987	Consolidated 1987	Consolidated 1986 (NOTE 2)
LIABILITIES AND NET ASSETS						
Current liabilities:						
Bank overdrafts	\$ 330,159	\$ 0	330,159	0	330,159	102,386
Accounts payable	95,073	523	95,596	0	95,596	238,253
Accounts payable - VOLUNTEER, Inc.	0	85,161	85,161	0	0	0
Mortgages and notes payable - current (NOTE 7)	496,322	0	496,322	0	496,322	508,719
Notes payable - VOLUNTEER, Inc. - current	0	11,071	11,071	11,071	0	0
Accounts receivable	679,839	4,112	683,951	0	683,950	260,029
Other current liabilities	179,285	27,763	207,048	0	207,048	81,084
Total current liabilities	1,820,427	128,693	1,949,117	96,232	1,852,885	1,218,481
Other liabilities:						
Mortgages and notes payable - non-current (NOTE 7)	807,891	427,268	1,235,159	0	1,235,159	838,854
Notes payable - VOLUNTEER, Inc. - non-current	0	30,654	30,654	30,654	0	0
Other	7,407	0	7,407	0	7,407	7,407
Total other liabilities	815,298	457,922	1,273,181	30,654	1,242,527	846,261
Total liabilities	2,635,725	586,615	3,222,339	126,886	3,095,453	2,064,742
Net assets:						
Unrestricted	3,884,713	(168,123)	3,716,590	0	3,716,590	3,311,894
Permanently restricted	23,376	0	23,376	0	23,376	22,308
Total net assets	3,908,089	(168,123)	3,740,000	0	3,740,000	3,334,202
Total liabilities and net assets	\$ 6,543,814	\$ 418,504	\$ 6,962,318	\$ 126,886	\$ 6,835,432	\$ 5,398,943

See Independent Auditor's Report on Supplementary Information.

STATEMENTS OF ASSETS AND LIABILITIES OF THE COMPANY, INC.
CONSOLIDATED BALANCE SHEET
AS OF THE PERIODS ENDING 31.12.1987
AND 31.12.1986

	1987		1986		1987	1986	1987	1986	1987	1986
	Assets	Liabilities	Assets	Liabilities						
1. Cash and cash equivalents	20,000	400	80,000	80,000	0	0	0	0	0	0
2. Accounts receivable	400	400	800	800	0	0	0	0	0	0
3. Inventory	400	400	400	400	0	0	0	0	0	0
4. Property, plant and equipment	400	400	400	400	0	0	0	0	0	0
5. Intangible assets	400	400	400	400	0	0	0	0	0	0
6. Other assets	400	400	400	400	0	0	0	0	0	0
7. Total assets	212,000	1,600	161,600	161,600	0	0	0	0	0	0
8. Accounts payable	400	400	400	400	0	0	0	0	0	0
9. Long-term debt	400	400	400	400	0	0	0	0	0	0
10. Other liabilities	400	400	400	400	0	0	0	0	0	0
11. Total liabilities	1,200	1,200	1,200	1,200	0	0	0	0	0	0
12. Total equity	210,800	400	160,400	160,400	0	0	0	0	0	0

Supplementary information

1. The company has issued 100,000 shares of common stock with a par value of \$1.00 per share. The company has also issued 100,000 shares of preferred stock with a par value of \$1.00 per share.

2. The company has issued 100,000 shares of common stock with a par value of \$1.00 per share.

3. The company has issued 100,000 shares of common stock with a par value of \$1.00 per share.

4. The company has issued 100,000 shares of common stock with a par value of \$1.00 per share.

5. The company has issued 100,000 shares of common stock with a par value of \$1.00 per share.

6. The company has issued 100,000 shares of common stock with a par value of \$1.00 per share.

7. The company has issued 100,000 shares of common stock with a par value of \$1.00 per share.

VOLUNTEERS OF AMERICA GREATER NEW ORLEANS, INC.
EXIT CONFERENCE

The audit report was discussed at the exit conference with the management of the Organization. The individuals in attendance at the exit conference were as follows:

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.

Mr. James M. LeBlanc	President/CEO
Mr. Frederic E. Drew, III, CPA	Vice President of Finance and Administration
Ms. Bernice Stewart, CPA	Controller

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

Mr. Michael B. Bruno, CPA	Managing Partner
Mr. Edward A. Tauriac, CPA	Manager
Mr. Arnold Pinkney	Supervisor

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

October 18, 1997

To the Board of Directors
Volunteers of America of Greater New Orleans, Inc.

We have audited the consolidated financial statements of Volunteers of America of Greater New Orleans, Inc. (the Organization) as of and for the year ended June 30, 1997 and have issued our report thereon dated October 10, 1997. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under General Accepted Standards

As stated in our engagement letter dated July 15, 1997 our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the consolidated financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of Organization. Such consideration was for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting principles. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Organization are described in NOTE 2 to the consolidated financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 1997 except where otherwise stated. We noted no transactions entered into by the Organization during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you of transactions for which there is a lack of authoritative guidance or consensus.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us that not recorded by the Organization could potentially cause future financial statements to be materially misstated. There were no significant adjustments that were not recorded by management that would have a material impact on the Organization's financial condition.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

To the best of our knowledge, management has not consulted with or obtained opinions from other independent accountants during the year that are subject to the requirements of Statement on Auditing Standards No. 38, "Reports on the Application of Accounting Principles".

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to our acceptance of the engagement as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Directors and management of the Organization and should not be used for any other purpose.

The above information was discussed during our exit conference held with management of the Organization. Those individuals that were involved in the discussions are as follows:

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.

Mr. James M. LeBlanc
Mr. Frederic E. Duse, III, CPA
Ms. Bernice Stewart, CPA

President/CEO
Vice President of Finance and
Administration
Controller

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

Mr. Michael B. Bruno, CPA
Mr. Edward A. Taurine, CPA
Mr. Armand Pinkney

Managing Partner
Manager
Supervisor

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

October 18, 1997

To the Board of Directors
Volunteers of America of Greater New Orleans, Inc.

In planning and performing our audit of the consolidated financial statements of Volunteers of America of Greater New Orleans, Inc. (the Organization) for the year ended June 30, 1997, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on the internal control structure. However, we noted a certain matter involving the internal control structure and its operation that we considered to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

REPORTABLE CONDITION

Moveable Fixed Assets

The Organization does not have procedures in place to safeguard moveable fixed assets from unauthorized use or disposition. For instance:

- o The Organization does not maintain a moveable fixed asset subsidiary ledger detailing all assets owned by the Organization;
- o A physical inventory of moveable fixed assets has not been performed in recent years; and
- o Upon the purchase of moveable fixed assets the Organization does not tag and record the items purchased.

To the Board of Directors
Volunteers of America of Greater New Orleans, Inc.

We recommend that management establish policies with regard to their safeguarding and accounting for receivable fixed assets.

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

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

October 10, 1997

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the Board of Directors of
Volunteers of America of Greater New Orleans, Inc.

We have audited the consolidated financial statement of Volunteers of America of Greater New Orleans, Inc. (the Organization) as of and for the year ended June 30, 1997, and have issued our report thereon dated October 03, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Audit Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting 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.

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To the Board of Directors of
Volunteers of America of Greater New Orleans, Inc.

REPORTABLE CONDITION

Movable Fixed Assets

The Organization does not have procedures in place to safeguard movable fixed assets from unauthorized use or disposal. For instance:

- o The Organization does not maintain a movable fixed asset subsidiary ledger detailing all assets owned by the Organization;
- o A physical inventory of movable fixed assets has not been performed in recent years; and
- o Upon the purchase of movable fixed assets the Organization does not tag and record the items purchased.

We recommend that management establish policies with regard to their safeguarding and accounting for movable fixed assets.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

October 10, 1997

& Tervalon

MICHAEL E. BRUNO, CPA
JENNIFER T. TERVALON, CPA
FRANCOIS ROBERT L. LAFITE, CPA

To the Board of Directors
Volunteers of America of Greater New Orleans, Inc.

In planning and performing our audit of the consolidated financial statements of Volunteers of America of Greater New Orleans, Inc. (the Organization) for the year ended June 30, 1997, we considered the Organization's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the consolidated financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated October 10, 1997, on the consolidated financial statements of the Organization.

MANAGEMENT LETTER COMMENTS

Conflict of Interest Statements

During the course of the audit we were unable to obtain and review the signed statements of conflict of interest as required by the Volunteers of America, Inc.'s (VOA, Inc.'s) conflict of interest policy.

Recommendation

We recommend that conflict of interest statements be executed and signed by all applicable parties as required by the VOA, Inc.'s conflict of interest policy.

Client Fund Cash

During the course of the audit we noted that cash for clients residing in various group homes are held in accounts at local banks in the name of VOA/GNO, Inc. was not being accounted for in the general ledger of the Organization.

Recommendation

We recommend that all cash held in banks in the name of the VOA/GNO, Inc. be recorded on the general ledger to insure that all assets are safeguarded from unauthorized use.

Accrued Annual Leave

We noted during the course of the audit that the Organization's current accounting procedures does not include provisions for the recognition of the liability for accrued annual leave.

Recommendation

We recommend that the liability for accrued annual leave be recorded to properly reflect the Organization's liability for annual leave earned but not taken.

Pension Plan

Currently, VOA/GNO, Inc. offers a Section 408 (B) pension plan (the Plan) to all eligible employees for which no audit of the plan is performed nor is Internal Revenue Service (IRS) Form 5500 "Annual Return of Employee Benefit Plan" is being prepared.

Recommendation

We recommend that the Organization consult with legal counsel and its plan administrator to insure its compliance with all Department of Labor and IRS reporting requirements.

To the Board of Directors
Volunteers of America of Greater New Orleans, Inc.

Reconciliation of the Cash Receipts Log

The cash receipts log is not being reconciled to the daily deposits and/or the general ledger on any recurring basis. Failure to reconcile the cash receipts log to any financial statement reports renders this control ineffective.

Recommendation

We recommend that management establish procedures to reconcile the cash receipts log to general ledger on a recurring basis.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

October 10, 1997