

9576

OFFICIAL
FILE COPY
DO NOT SEND OUT
These accounts
taken from the
books and placed
back in 1937

KINGSLEY HOUSE
AND NEW ORLEANS DAY NURSERY ASSOCIATION
(A Nonprofit Organization)

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 1937

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 State House office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date — ~~1937~~ 2-3-1964

KINGSLEY HOUSE
AND NEW ORLEANS DAY NURSERY ASSOCIATION

YEAR ENDED JUNE 30, 1997

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	1 and 2
FINANCIAL STATEMENTS	
Balance sheet	3
Statement of revenue, expenses and other changes in net assets	4
Statement of functional expenses	5
Statement of cash flows	6
Statement of net assets	7
Notes to financial statements	8 through 17
INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION	18
SUPPLEMENTARY INFORMATION	
Schedule of support, revenues and expenses in accordance with United Way requirements (unaudited)	19 through 21
Schedule of governmental grants and contracts	22 and 23
OMB CIRCULAR A-133 AND GOVERNMENT AUDITING STANDARDS COMPLIANCE REPORTS	
Independent auditor's report on federal awards	24 and 25
Appendix to independent auditor's report on federal awards	26 and 27
Schedule of expenditures of federal awards for the year ended June 30, 1997	28 and 29

KINGSLEY HOUSE
AND NEW ORLEANS DAY NURSERY ASSOCIATION

YEAR ENDED JUNE 30, 1997

TABLE OF CONTENTS
(Continued)

	<u>Page #</u>
Notes to the Schedule of expenditures of federal awards for the year ended June 30, 1997	30
Independent auditor's report on internal control structure and compliance based on an audit performed in accordance with <u>Governmental Auditing Standards</u>	31 and 32
Appendix to Independent auditor's report on internal control structure and compliance based on an audit performed in accordance with <u>Governmental Auditing Standards</u>	33
Schedule of Findings and Questioned Costs	34 and 35

Bernard & Franks
A Corporation of Certified Public Accountants

400 P. O. BOX 100000

NEW ORLEANS

LA

70117-0000, LOUISIANA POWER RITE

LA

7815 PINECREST DRIVE, SUITE 200

IRVING, TEXAS 75039

RONALD A. BERNARD, CPA
JENNIFER FRANKS, CPA
PROCELA S. BARNETT, CPA
PROCELA S. BARNETT, CPA
JAMES L. WHITE, CPA

SIGNATURE

BERNARD & FRANKS, CPAs
MEMBER FIRM OF CERTIFIED PUBLIC ACCOUNTANTS
10000 PINECREST DRIVE, SUITE 200, IRVING, TEXAS 75039

**INDEPENDENT AUDITOR'S REPORT ON
FINANCIAL STATEMENTS**

To the Board of Directors
Kingsley House and New Orleans Day
Nursery Association
New Orleans, Louisiana

We have audited the accompanying balance sheet of Kingsley House and New Orleans Day Nursery Association (a nonprofit organization) as of June 30, 1997, and the related statements of revenues, expenses and other changes in net assets, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Agency'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 and 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 States, Local Governments Nonprofit Organizations". 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. 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 Kingsley House and New Orleans Day Nursery Association 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.

As discussed in Note 1 to the financial statements, in year ended June 30, 1997 the Association changed its method of accounting for investments.

In accordance with Government Auditing Standards, we have also issued a report dated December 28, 1997, on our consideration of Kingsley House and New Orleans Day Nursery Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Bernard J. Linder

Metairie, Louisiana
December 28, 1997

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

BALANCE SHEET

June 30, 1977

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS:				
Cash and cash equivalents	\$ 12,770	\$ 90,142	\$ -	\$ 102,912
Investments	1,345,735			1,345,735
Accounts receivable:				
Unconditional promises to give		1,107,193		1,107,193
Government contracts	305,009	40,388		345,397
Other	2,400	-		2,400
Prepaid expenses	44,049			44,049
Cash held for acquisition of property and donor restricted purposes		26,414		26,414
Long term investments		304,345	1,500	305,845
Land, building, and equipment, net	1,376,367	1,465,667	-	2,842,034
TOTAL ASSETS	\$ 3,044,090	\$ 3,033,139	\$ 1,500	\$ 6,078,729
LIABILITIES AND NET ASSETS:				
Accounts payable	\$ 90,026	\$ -	\$ -	\$ 90,026
TOTAL LIABILITIES	\$ 90,026	\$ -	\$ -	\$ 90,026
Net assets:				
Unrestricted	\$ 1,544,812	\$ -	\$ -	\$ 1,544,812
Donor restricted	1,408,723			1,408,723
Total unrestricted	\$ 2,953,135	\$ -	\$ -	\$ 2,953,135
Temporarily restricted		3,033,139		3,033,139
Permanently restricted			1,500	1,500
TOTAL NET ASSETS	\$ 2,953,135	\$ 3,033,139	\$ 1,500	\$ 5,987,774
TOTAL LIABILITIES AND NET ASSETS	\$ 3,044,090	\$ 3,033,139	\$ 1,500	\$ 6,078,729

See accompanying Notes To Financial Statements.

KIMBLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

STATEMENT OF REVENUES, EXPENSES AND OTHER
CHANGES IN NET ASSETS
June 30, 1997

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 87,888	\$ 223,142	\$ -	\$ 311,030
Federal financial assistance and other state and federal revenues	2,664,096	2,536	-	2,666,632
United Way funding for next year	-	595,293	-	595,293
Realized and unrealized income on investments	188,063	30,300	-	218,363
Program fees	36,765	-	-	36,765
Sell support	24,913	-	-	24,913
Rental income	21,888	-	-	21,888
Other	1,137	-	-	1,137
Net assets released from restrictions	-	-	-	-
City awards for capital project	279,000	(170,000)	-	-
United Way funding for the year	546,881	(546,881)	-	-
Restrictions satisfied by payments	83,503	(83,503)	-	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	\$ 4,843,413	\$ 1,126,613	\$ -	\$ 5,970,026
EXPENSES				
Program services				
Pre-school day care	\$ 1,245,029	\$ -	\$ -	\$ 1,245,029
School age day care/nursery	353,964	-	-	353,964
Adult day health care	413,791	-	-	413,791
Nursery-child center	99,811	-	-	99,811
Family preservation	212,590	-	-	212,590
F.A.S.T./Family support	189,278	-	-	189,278
Children's crisis management	292,574	-	-	292,574
Family-to-family OUTREACH	245,166	-	-	245,166
Supporting services				
Management and general	386,030	-	-	386,030
Rand rating	28,507	-	-	28,507
TOTAL EXPENSES	\$ 3,366,742	\$ -	\$ -	\$ 3,366,742
INCREASE IN NET ASSETS	\$ 1,476,671	\$ 1,126,613	\$ -	\$ 2,603,284
NET ASSETS AT BEGINNING OF YEAR, as restricted	2,726,464	3,189,704	\$ 1,500	\$ 5,917,668
NET ASSETS AT END OF YEAR	\$ 4,203,135	\$ 4,316,317	\$ 1,500	\$ 8,520,952

See accompanying Notes To Financial Statements.

KINOLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 1997

	Program Services				
	Pre-School (By Cost)	School Age/Day (By Youth)	Adult Day (Health Cost)	Home Child Center	Family Preservation
Compensation and related expenses					
Compensation	\$ 178,967	\$ 117,000	\$ 118,783	\$ 67,497	\$ 216,238
Employee benefits					
Medical	31,320	3,998	11,883	3,091	15,470
Retirement	23,770	9,481	11,739	2,799	11,767
Other	3,042	188	1,884	349	1,411
Payroll taxes	47,932	11,717	17,814	2,876	16,278
	<u>\$ 293,831</u>	<u>\$ 153,303</u>	<u>\$ 161,224</u>	<u>\$ 76,792</u>	<u>\$ 231,964</u>
Awards and gifts					
Conferences, conventions, and meetings	4,843	1,288	488	967	1,674
Food	78,319	13,820	41,383	-	-
Class equipment purchases	13,946	-	-	-	-
Insurance					
Property and casualty	11,785	11,258	1,881	2,712	2,812
Vehicles	4,733	-	4,766	-	-
Workers' compensation	11,754	4,888	1,877	787	2,249
Membership fees	-	-	-	-	-
Company					
Electricity	11,972	14,815	1,686	1,289	974
Gas	493	1,228	136	881	49
Maintenance and repairs	11,688	84,182	1,202	992	842
Water and sewer	1,369	4,817	815	368	396
Telephone	748	168	322	198	447
Printing and publications	1,946	470	415	387	218
Professional fees	11,887	13,948	21,711	1,781	1,887
Rental and maintenance of equipment	1,471	1,188	484	383	887
Supplies					
Kitchen	4,911	1,124	1,858	497	481
Office	1,139	3,886	1,682	1,211	1,238
Recreation, crafts	41,865	7,882	1,944	1,334	-
Other	46818	6,941	1,808	383	489
Telephone	1,882	1,977	1,771	1,676	6,682
Travel	11,299	7,888	21,968	2,681	14,664
Specialty services					
to individuals	1,314	1,478	1,600	774	4,211
Other	6,842	2,888	2,136	2,994	4,188
TOTAL EXPENSES BEFORE					
CHANGES IN NET ASSETS	<u>\$ 1,041,136</u>	<u>\$ 706,789</u>	<u>\$ 686,246</u>	<u>\$ 98,118</u>	<u>\$ 566,851</u>
Depreciation expense	20,481	17,674	10,628	1,711	1,668
TOTAL EXPENSES	<u>\$ 1,061,617</u>	<u>\$ 724,463</u>	<u>\$ 701,874</u>	<u>\$ 99,829</u>	<u>\$ 571,187</u>

See accompanying Notes To Financial Statements.

F.A.S.E. Family Support	Children Cabin Management Program		Family- No- SIB/FISH	Supporting Services		Total
	Management Program	Family- No- SIB/FISH		Management and Counsel	Fund Raising	
\$ 100,000	\$ 275,470	\$ 275,440	\$ 100,000	\$ 7,000	\$ 1,000,000	
8,500	9,338	6,899	10,881		104,000	
5,000	5,497	3,000	15,000		50,000	
870	871	888	3,000	-	17,000	
10,000	33,000	30,000	10,000	-	100,000	
\$ 107,270	\$ 278,676	\$ 286,400	\$ 100,000	\$ 7,000	\$ 1,000,000	
			600		600	
204	654	1,058	7,211	100	24,500	
		2,280			116,000	
		15,885			10,134	
23	-	80	80,271		50,177	
1,804	2,408	1,047	3,710		10,000	
		-			-	
1,000	2,400	1,000	3,000		40,000	
152		87	694		3,000	
4,973	17,170	643	8,033	5,000	100,111	
454	60	300	2,077		11,000	
900	-	1,070	1,407	90	6,700	
846	200	270	1,000	148	80,111	
3,700	1,000	4,800	4,000	10,000	80,000	
1,000	417	400	1,000	100	9,700	
-				0	-	
3,000	400	1,700	600		23,500	
0		3,370	8,000	0	24,000	
1,200	-	1,670	10,000	100	40,770	
3,000	8,000	204	2,000	100	70,100	
3,000	1,100	3,000	2,000	-	81,000	
110	0	20	0	200	10,000	
3,000	1,000	1,000	2,700	270	70,000	
\$ 100,000	\$ 280,074	\$ 280,000	\$ 100,000	\$ 20,000	\$ 1,000,000	
-	-	-	10,000	-	70,000	
\$ 100,000	\$ 280,074	\$ 280,000	\$ 100,000	\$ 20,000	\$ 1,000,000	

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

STATEMENT OF CASH FLOWS
JUNE 30, 1997

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 328,096
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	78,254
Unrealized gain on investments	(136,271)
Gain on sale of investments	(24,188)
Uncollectible provision	(782)
(Increase) decrease in operating assets:	
Accounts receivable	1,061
United Way funding for next year	(48,412)
Prepaid expenses	1,394
Increase (decrease) in operating liabilities:	
Accounts payable	(251,642)
Refundable advances	(5,550)
Contributions restricted for long-term purposes:	
Contributions restricted to capital campaign	(97,262)
Amortization of discount on unconditional promises to give	(85,922)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 422,310

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of long-term investments	\$ (371,789)
Proceeds from sales of long-term investments	919,140
Purchases of investments	(330,771)
Proceeds from sales of investments	328,620
Payments for building and equipment	(1,682,422)
NET CASH USED BY INVESTING ACTIVITIES	\$ (1,246,222)

CASH FLOWS FROM FINANCING ACTIVITIES

Capital Campaign collections	\$ 922,982
Cash held for acquisition of property	304,705
NET CASH PROVIDED BY FINANCING ACTIVITIES	\$ 1,227,687

NET INCREASE (DECREASE) IN CASH AND CASH
EQUIVALENTS

	\$ (145,849)
BEGINNING CASH AND CASH EQUIVALENTS	248,261
ENDING CASH AND CASH EQUIVALENTS	\$ 102,412

See accompanying Notes to Financial Statements.

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

STATEMENT OF NET ASSETS
JUNE 30, 1997

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Fund Balances or Net Assets
Balance at June 30, 1996 as previously reported	\$1,989,186	\$3,188,133	\$ 1,500	\$5,188,369
Adjustment for the cumulative effect on prior years of applying retrospectively new method of accounting for investments at fair market value	296,348	1,601	--	297,949
Increase in net assets	676,671	416,615	--	520,056
	<u>\$2,962,115</u>	<u>\$3,803,129</u>	<u>\$ 1,500</u>	<u>\$6,983,774</u>

See accompanying Notes to Financial Statements.

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997

Note 1. Summary of Significant Accounting Policies

Nature of activities

Kingsley House and New Orleans Day Nursery Association is a United Way agency serving the New Orleans area. In addition the Association obtains funds from governmental grants and donor contributions. Approximately 70% and 15% of the Association's revenues for the year ended June 30, 1997 came from government programs and allocations from the United Way.

Programs provided by the Association are as follows:

Pre-school day care - A state licensed Head Start center is provided for 180 children of working parents.

School age day care and youth programs - A day care center is maintained for school age children for after school hours as well as a (full) day program for the summer vacation. An evening youth program is provided for teenagers.

Adult day health care - The Agency operates an adult day health care program for 65 elderly or handicapped adults and a senior center for persons over 50 years old.

Parent-child center - Parenting education is provided by the Agency's staff for parents, children and entire families in the community. The center provides a variety of activities to decrease young parents' social isolation.

Family preservation - Intensive at-home counseling services are provided to families in crisis and at-risk of having their children removed from the home. It serves over 150 families a year and is available 24 hours a day.

F.A.S.T. / Family Support - The Agency has a contract with the State of Louisiana, Office of Child Protection to investigate reports of child neglect and to provide immediate support services to prevent child abuse.

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997

Note 1. Summary of Significant Accounting Policies (Continued)

Nature of Activities (Continued)

Family-to-Family/Family STRETCH - Provides training and support for in-home day care providers and to provide extended day care hours for the existing day care program.

Children's crisis management - Emergency crisis intervention services are provided to children and adolescents.

Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Investment Securities

In prior years, the Association recorded investments at cost. For the year ended June 30, 1997, the Association elected to adopt Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-For-Profit Organizations." Under SFAS No. 124, the Association is required to report investments with readily determinable fair values and all investments in debt securities at fair value. The Association has elected to retroactively apply this statement by restating the beginning net assets for June 30, 1996. Unrealized gains and losses for the year ended June 30, 1997 are included in the statement of change in net assets.

Investments received as gifts are recorded at the fair value at the date of the gift.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1993

Note 1. Summary of Significant Accounting Policies (Continued)

Contributions

In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Donated Services

No amounts have been reflected in the financial statements for donated services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Association with specific assistance programs, campaign solicitations, and various committee assignments. The Association received more than 12,000 volunteer hours this year.

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997

Note 1. Summary of Significant Accounting Policies (Continued)

Expense Allocation

Expenses are charged to each program directly when the charge is identified to the program. Program expenditures which cannot be directly identified to a program are allocated based on square footage, usage statistics and ratio of program expenses to total expenses as appropriate. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Association.

Income Tax Status

The Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Association qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

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 these estimates.

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Association considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents, except that assets restricted for long-term purposes are not included as cash equivalents regardless of the liquidity.

Land, Building and Equipment

Land, building and equipment are carried at cost. All expenditures for land, buildings and equipment and the fair value of donated land, buildings and equipment in excess of \$1,000 are capitalized, except the Association does not capitalize property purchased with resources from grants that specify that the title remains with or reverts to grantor. Depreciation is computed by straight-line and accelerated methods.

Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions over the useful life of the donated asset. The Organization reclassifies temporarily restricted net assets to unrestricted net assets over each useful life.

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997**Note 1. Summary of Significant Accounting Policies (Continued)****Designation of Unrestricted Net Assets**

It is the policy of the Board of Directors of the Association to review its plans for future property improvements and acquisitions from time to time and to designate appropriate sums to assure adequate financing of such improvements and acquisitions.

Note 2. Temporarily Restricted Net Assets

Substantially all of the restrictions on net assets at June 30, 1997, relate to funds raised through the Capital Campaign, United Way funding for the next year and prior years. Funds restricted to purchasing or improving equipment and facilities.

The Association solicited contributions to renovate the existing facilities through the Capital Campaign. The projected cost of the renovation project is \$4,597,692. At June 30, 1997, the Capital Campaign has raised \$4,598,526 in promises to give. At June 30, 1997 \$2,709,304 has been expended for the renovation project.

Temporarily restricted net assets are available for the following purposes or periods:

	<u>Amount</u>
United Way funding for next year	\$ 395,293
Renovation of present facility, capital campaign	2,373,221
Purchase or improvement of equipment and facilities	1,741
For subsequent periods	<u>61,884</u>
	\$3,033,139

KINGISLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1987Note 3. Promises To Give

Unconditional promises to give consists of the following:

	<u>Amount</u>
Restricted to renovation of facility	\$ 641,717
United Way services	<u>595,293</u>
Gross unconditional promises to give	\$1,237,010
Less: Unamortized discount	\$ 118,598
Allowance for uncollectible promises	<u>11,218</u>
Net unconditional promises to give	<u>\$1,107,193</u>

The amount due from the United Way consists of the following:

	<u>Amount</u>
Allocation for next fiscal year	
General allocation	\$ 599,786
Donor designation	16,851
Combined Federal Campaign	<u>8,656</u>
	<u>\$ 595,293</u>

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997

Note 4. Investments

The following is a summary of investments at June 30, 1997 for various board designated purposes. Short term investments are stated at fair value.

	Cost or Donated Value	Fair Value	Unrealized Appreciation (Depreciation)
Money funds	\$ 183,488	\$ 183,488	\$ --
Bonds and notes	25,341	24,888	(853)
Common stocks	718,924	1,155,641	436,717
	<u>\$ 927,753</u>	<u>\$1,363,917</u>	<u>\$435,864</u>

Investments held for long-term purposes, primarily building improvements are as follows:

	Cost or Donated Value	Fair Value	Unrealized Appreciation (Depreciation)
Money funds	\$ 287,195	\$ 287,195	\$ --
Common stock	18,694	18,650	(844)
	<u>\$ 305,889</u>	<u>\$ 305,845</u>	<u>\$ (844)</u>

The following schedule summarizes the investment return and its classification in the statement of activities:

	Unrestricted	Temporarily Restricted	Total
Investment income	\$48,347	\$20,650	\$ 68,997
Net realized and unrealized gains (losses)	138,738	(2,445)	136,293
Total investment return	<u>\$187,085</u>	<u>\$18,205</u>	<u>\$205,290</u>

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997Note 5. Land, Building and Equipment

At June 30, 1997, the costs and related accumulated depreciation of land, building and equipment consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Depreciation Annual Rates</u>
Land	\$ 75,000	\$ --	\$ 75,000	—
Buildings	1,468,368	1,408,856	59,512	4 percent
Construction in Progress	2,340,825	—	2,340,825	
Improvements	308,916	58,085	248,830	4-10 percent
Transportation equipment	89,874	45,533	44,341	20-33 percent
Furniture, fixtures and equipment	288,264	132,348	155,916	12-20 percent
	<u>\$4,459,247</u>	<u>1,651,022</u>	<u>\$2,801,225</u>	

Note 6. Leases

The Organization leases a service facility under the terms of an annual renewal lease agreement accounted for as an operating lease requiring monthly payments of \$1,500. Lease expense for the year ended June 30, 1997 was \$18,000 for lease payments.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1997

Note 7. Rental Income

The Agency, as lessor, rents a portion of its facility under various leases classified as operating leases. These leases were not renewed for the subsequent year.

Rental income of \$40,831, less \$8,943 of rental expenses, was recognized during the year. The leases are with other not-for-profit organizations whose missions are related to the mission of Kingsley House.

Note 8. Retirement Plan

The Agency maintains a noncontributory defined contribution retirement plan for employees who have attained age 21½ and have completed two years of service. Employees receive a 100% vested interest in all contributions by the Agency on their behalf. Contributions are based on 4% of plan participants' salaries up to \$9,000 and 3% thereafter. Total retirement plan expense was \$83,846 for the year ended June 30, 1997. The Agency funds the retirement plan cost accrued for the year.

Note 9. Contingencies

The Agency received a portion of its revenues from government grants, which are subject to audits by the respective funding source. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by such governmental units. Until such audits have been completed and final settlement is reached, there exists a contingency to refund any amount received in excess of allowable costs.

Management is of the opinion that no material liability will result from such audits.

SUPPLEMENTARY INFORMATION

Bernard & Franks
A Corporation of Certified Public Accountants

5345 WETLANDS BOULEVARD

11

SUITE 200

12

METairie, LOUISIANA 70002-0001

13

TELEPHONE (504) 885-4100
FAX (504) 885-9101

MEMBER OF AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF THE STATE SOCIETY
OF ACCOUNTANTS OF LOUISIANA
JANUARY 1, 1988 TO 1997

MEMBER
ASSOCIATION OF INDEPENDENT ACCOUNTANTS
SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON
THE SUPPLEMENTARY INFORMATION

To the Board of Directors
Kingsley House and New Orleans Day Nursery Association
New Orleans, Louisiana

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited", on which we express no opinion, 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.

Bernard & Franks

Metairie, Louisiana
December 28, 1997

INTELLECTUAL PROPERTY AND NEW ORLEANS PARTNERSHIP ASSOCIATION

SCHEDULE OF CURRENT, DEFERRED AND LONG-TERM
 IN ACCORDANCE WITH GASBS 34 AND 36

FOR THE YEAR ENDED 2016, 2017

	Depreciation									
	Depreciable Assets	Estimated Useful Life	Initial Cost	Accumulated Depreciation	Net Book Value	Estimated Useful Life	Initial Cost	Accumulated Depreciation	Net Book Value	Estimated Useful Life
PROPERTY										
Land										
Buildings	10	30	1,000,000	(200,000)	800,000	10	1,000,000	(200,000)	800,000	30
Equipment	5	5	500,000	(100,000)	400,000	5	500,000	(100,000)	400,000	5
Leasehold Improvements	10	10	200,000	(40,000)	160,000	10	200,000	(40,000)	160,000	10
Construction in Progress			1,000,000		1,000,000				1,000,000	
Total			2,700,000	(340,000)	2,360,000		2,700,000	(340,000)	2,360,000	
INTANGIBLE										
Patents	10	10	1,000,000	(200,000)	800,000	10	1,000,000	(200,000)	800,000	10
Software	5	5	500,000	(100,000)	400,000	5	500,000	(100,000)	400,000	5
Customer Relationships	10	10	1,000,000	(200,000)	800,000	10	1,000,000	(200,000)	800,000	10
Goodwill			1,000,000		1,000,000				1,000,000	
Total			3,500,000	(500,000)	3,000,000		3,500,000	(500,000)	3,000,000	
Total			6,200,000	(840,000)	5,360,000		6,200,000	(840,000)	5,360,000	

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

SCHEDULE OF SUPPORT, REVENUE AND EXPENSES
 IN ACCORDANCE WITH UNITED WAY REQUIREMENTS
 (Unaudited)
 YEAR ENDED JUNE 30, 1997

ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES

The F.A.S.T., Family Support and Children's Crisis Management Programs are funded by contracts with the State of Louisiana in which the terms of the contracts specify the management and general expense allocation. The remaining management and general expenses were allocated to the remaining programs based on its ratio of expenses to total expenses for all programs. The Family-To-Family/Family STRETCH program included management and general in the program services expenses for the program.

RECONCILIATION OF UNITED WAY SCHEDULE WITH THE
 STATEMENT OF SUPPORT, REVENUE AND EXPENSES

Reconciliation of total revenues is as follows:

Total Revenues, gains and other support per statement of revenue, expenses, and other changes in net assets	\$1,896,798
United Way Funding for the year	546,881
United Way Funding for next year	(185,293)
Self support expenses	<u>8,793</u>
	<u>\$1,867,129</u>

In accordance with generally accepted accounting principles, \$136,272 of unrealized appreciation on investments is included in other revenues:

Reconciliation of total expenses is as follows:

Total Expenses per statement of support, revenue and expenses and changes in fund balances	\$1,366,742
Depreciation	(78,234)
Self support expenses	<u>8,793</u>
	<u>\$1,297,251</u>

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

SCHEDULE OF SUPPORT, REVENUE AND EXPENSES
IN ACCORDANCE WITH UNITED WAY REQUIREMENTS
(Unaudited)
(CONTINUED)
YEAR ENDED JUNE 30, 1997

PRE-SCHOOL DAY CARE PROGRAM

The Pre-School Day Care Program includes in revenues grant funds from Total Community Action in the amount of \$143,170 which were restricted to the purchase of furnishings, equipment and building improvements. These expenditures were capitalized and not included in the expenses on the schedule.

FAMILY-TO-FAMILY/STRETCH PROGRAM

The Family-to-Family/Stretch Program included in governmental grants revenues \$36,621 which were restricted to the purchase of equipment and building improvements. These expenditures were capitalized and not included in the expenses on the schedule.

KINGSLY TRADE AND NEW ORLEANS DAY MURKERY ASSOCIATION

SCHEDULE OF GOVERNMENTAL GRANTS AND CONTRACTS
FOR THE YEAR ENDED 3/31, 1997

	Total Community Action Pre-School	State Fund Pre-School	Contract Action	State Fund Youth	SEDC Youth Program	Project Initiatives
REVENUES						
Federal (Special assistance and other state and federal revenue)	\$980,000	\$ 82,629	\$ 12,988	\$ 10,688	\$ 4,508	\$ 2,027
EXPENSES						
Comptroller and related	\$ 624,802	\$ 10,629	\$ 116	9,009	\$ 4,508	\$ 2,827
Professional	7,208	--	11,006	--	--	--
Supplies	125,308	56,281	1,978	14,658	--	--
Occupancy	22,662	--	3,711	--	--	--
Taxes	18,687	--	88	--	--	--
Special assistance	2,250	--	--	--	--	--
Other	12,282	494	(2,894)	162	--	--
Renovations and furnishings	142,114	--	3,117	--	--	--
Management and general	-----	-----	-----	-----	-----	-----
TOTAL EXPENSES	\$980,000	\$ 70,114	\$ 21,116	\$ 14,169	\$ 4,508	\$ 2,827
(DIFFERENCE)	\$-----	\$ 1,484	\$ 1,824	\$ 14,212	-----	\$ 1,177

Child Care Block Grant	Non-Obvious Council On Aging	Total 505 Adult Day Programs	Womens Administration	State Fund - Adults	Total Community Action Economic	OCN Family Enrichment	OPED - Family Enrichment	OCAMP - Office of Mental Health
\$ 4,300	\$ 20,800	\$ 203,161	\$ 11,025	\$ 21,120	\$ 60,640	\$ 177,696	\$ 108,188	\$ 290,111
\$ 4,300	\$ 10,796	\$ 203,161	\$ 11,025	\$ 21,120	\$ 10,140	\$ 10,620	\$ 100,100	\$ 236,136
--	--	20,917	--	--	--	1,266	1,011	1,011
--	1,544	26,872	--	20,880	1,266	1,078	1,097	238
--	579	18,864	--	--	--	2,758	3,434	(1,471)
--	811	18,249	--	--	1,211	10,500	5,866	8,761
--	--	--	--	--	111	2,250	1,345	4
--	243	--	--	188	3,339	7,343	6,771	8,144
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	10,802	4,511	(28,021)
\$ 4,300	\$ 16,845	\$ 203,162	\$ 11,025	\$ 17,188	\$ 80,680	\$ 180,916	\$ 114,146	\$ 288,176
\$ 4,300	\$ 16,845	\$ 203,162	\$ 11,025	\$ 17,188	\$ 80,680	\$ 180,916	\$ 114,146	\$ 288,176

(Continued)

**OMB CIRCULAR A-133 COMPLIANCE AND
GOVERNMENT AUDITING STANDARDS REPORTS**

Bernard & Franks
A Corporation of Certified Public Accountants

4700 WYOMING BOULEVARD



SUITE 201



METairie, LOUISIANA 70002-1041



TELEPHONE (504) 885-0100
FAX (504) 885-0021

JOHN P. & DEBORAH C. FRANKS
JOHN P. & DEBORAH C. FRANKS
MEMBERS & CERT. PUBL. ACCTNTS
MEMBERS & CERT. PUBL. ACCTNTS
JAMES L. WHITE, CPA

MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF COSTUME DESIGNER PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON
FEDERAL AWARDS**

To the Board of Directors
Kingsley House and New Orleans Day
Nursery Association
New Orleans, Louisiana

This report describes the results of our testing of federal awards. We have audited the financial statements of Kingsley House and New Orleans Day Nursery Association as of and for the year ended June 30, 1997 for the purpose of expressing our opinion on the financial statements taken as a whole and have issued our report thereon dated December 20, 1997. We have also audited Kingsley House and New Orleans Day Nursery Association's compliance with the requirements identified in Office of Management and Budget's (OMB) **Compliance Supplement for Single Audits**, that are applicable to its major federal program U.S. Department of Health and Human Services - Head Start Act. The **Schedule of Expenditures of Federal Awards** is presented to comply with OMB Circular A-133, **Audits of States, Local Governments, and Nonprofit Organizations**, and it is not a required part of the financial statements. It has been subjected to the auditing procedures applied in the audit of the financial statements. The attached Appendix is an integral part of this report.

Our audit of compliance was performed in accordance with generally accepted auditing standards, **Government Auditing Standards**, issued by the Comptroller General of the United States, and OMB Circular A-133.

In our opinion -

The accompanying Schedule of Expenditures of Federal Awards of Kingsley House and New Orleans Day Nursery Association for the year ended June 30, 1997, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Kingsley House and New Orleans Day Nursery Association complied in all material respects, with the requirements identified in OMB's Compliance Supplement for Single Audits, that are applicable to each of its major federal programs, identified above, for the year ended June 30, 1997.

In planning and performing our audit, we obtained an understanding and assessed control risk of Kingsley House and New Orleans Day Nursery Association's internal control over major federal programs and we performed tests of these controls. We identified no material weaknesses in Kingsley House and New Orleans Day Nursery Association's internal control affecting its major federal programs. However, our consideration of internal control was not intended to and did not provide sufficient evidence to support an opinion on Kingsley House and New Orleans Day Nursery Association's internal control over major federal programs. Accordingly, we do not express such an opinion.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities that are required to receive this report in accordance with OMB Circular A-133. However, this report is a matter of public record and its distribution is not limited.



Metairie, Louisiana
December 20, 1997

**APPENDIX TO INDEPENDENT AUDITOR'S REPORT
ON FEDERAL AWARDS**

Responsibility of Management

The management of Kingsley House and New Orleans Day Nursery Association is responsible for the Schedule of Expenditures of Federal Awards, compliance with laws, regulations, and provisions of contracts and grant agreements applicable to major federal programs, and for establishing and maintaining internal control over federal programs. The objectives of internal control 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 and that federal awards are managed in compliance with laws, regulations, and the provisions of contracts or grant agreements.

Responsibility of Independent Auditor

In accordance with OMB Circular A-133, we are responsible for determining whether Kingsley House and New Orleans Day Nursery Association's Schedule of Expenditures of Federal Award is presented fairly in all material respects in relation to Kingsley House and New Orleans Day Nursery Association's financial statements taken as a whole, determining whether Kingsley House and New Orleans Day Nursery Association has complied with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each of its major federal programs sufficient to plan the audit of compliance to support a low assessed level of control risk.

Definitions

Reportable Conditions

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect Kingsley House and New Orleans Day Nursery Association's ability to administer major federal programs in accordance with applicable laws, regulations, and provisions of contracts or grant agreements.

APPENDIX TO INDEPENDENT AUDITOR'S REPORT
ON FEDERAL AWARDS
(CONTINUED)

Material Weaknesses

A material weakness is a reportable condition in which the design or operation of internal control does not reduce to a relatively low level the risk that noncompliance with applicable laws, regulations, or provisions of contracts or grant agreements that would be material to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1997

<u>Federal Grants/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
MAJOR PROGRAMS:			
U.S. Department of Health and Human Services			
Passed-through Total Community Action, Inc.			
Head Start Act			
Project Head Start	93.600		\$ 983,166*
Project Child Center	93.600		60,641*
			<u>\$1,043,806</u>
Passed-through Administration for Children and Families			
Family-to-Family and STRETCH	93.600	90-YH-001501	\$ 223,226
Passed-through State of Louisiana, Office of Community Services/Social Services Block Grant			
Family Preservation-FAST	93.667		\$ 147,864*
Family Preservation-Support	93.667	370 8007	73,256*
Family Preservation-Orleans and Thibodaux	93.667	370 8000	140,316*
			<u>\$ 361,436</u>
U.S. Department of Housing and Urban Development			
Passed-through City of New Orleans			
Community Development Block Grants	14.218		\$ 370,000*
			<u>\$2,000,468</u>

(Continued)

*Type A Major Programs

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1997

Federal Grant/Pass-Through Grantor / Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
OTHER FEDERAL AWARDS			
Passed-through New Orleans Council on Aging - Administration for Aging - Special Programs for the Aging - Title III Part B - Grants For Supportive Services and Senior Centers	93-044	--	\$ 26,885
Passed-through Louisiana Department of Health and Hospitals - Office of Drug Block Grants for Prevention and Treatment	93-959	--	\$ 26,327
U.S. Department of Agriculture			
Passed-through State of Louisiana			
Department of Education			
Child and Adult Food Program	10-538	93-432	\$ 109,241
Child and Adult Food Program	10-538	93-255	23,168
Subtotal			<u>\$ 148,519</u>
Department of Justice			
Passed-through Louisiana Commission of Law Enforcement and Administration of Child Abuse Victim Support Group			
	16-547	96-C96-V.3-0356	12,133
Subtotal Other Federal Awards			\$ 220,855
Total Expenditures of Federal Awards			<u>\$2,321,323</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1997

Note A - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is a summary of the cash activity of the Organization's Federal awards program and does not present transactions to be included in financial statements of the Organization presented on the accrual basis of accounting, as contemplated by generally accepted accounting principles.

Note B - Risk-Based Audit Approach

The dollar threshold used to distinguish between Type A and Type B programs is \$300,000. The organization does qualify as a low-risk auditee.

Bernard & Franks
A Corporation of Certified Public Accountants

4441 WYSEBARK BOULEVARD

NEW ORLEANS

LA

70119-3400, LOUISIANA 70119-3401

OR

TELEPHONE (504) 885-1170

FAX (504) 885-9000

MEMBER OF BERKELEY GROUP
JOSEPH P. FRANKS & CO., CPAs
MEMBERSHIP AND TAX, LLP
MEMBERSHIP AND TAX, LLP
MEMBERSHIP AND TAX, LLP
MEMBERSHIP AND TAX, LLP

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
BOARDS OF CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL, STRUCTURE AND COMPLIANCE
BASED ON AN AUDIT PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Kingsley House and New Orleans Day
Nursery Association
New Orleans, Louisiana

We have audited the financial statements of Kingsley House and New Orleans Day Nursery Association, as of and for the year ended June 30, 1997, and have issued our report thereon, dated December 20, 1997. We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. The attached Appendix is an integral part of this report.

In planning and performing our audit, we obtained an understanding of the Kingsley House and New Orleans Day Nursery Association's internal control and assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We also tested the Kingsley House and New Orleans Day Nursery Association's compliance with laws, regulations, and other provisions of contracts and grants that could have a direct and material effect on the financial statements.

We identified no material weaknesses in internal control and no instances of noncompliance that are required to be reported herein under Government Auditing Standards. However, our consideration of the Kingsley House and New Orleans Day Nursery Association's internal control and our testing of its compliance with laws, regulations, and provisions of contracts and grants were not designed to and did not provide sufficient evidence to express an opinion on such matters and would not necessarily disclose all matters that might be material weaknesses. Accordingly, we do not express an opinion on Kingsley House and New Orleans Day Nursery Association's internal control or on its compliance with laws, regulations, and provisions of contracts and grants.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities that are required to receive this report in accordance with OMB Circular A-133. However, this report is a matter of public record and its distribution is not limited.

Bernard & Loebke

Metairie, Louisiana
December 20, 1997

APPENDIX TO INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL, STRUCTURE AND COMPLIANCE
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Responsibility of Management

The management of Kingsley House and New Orleans Day Nursery Association is responsible for compliance with laws, regulations, contracts, and grants applicable to Kingsley House and New Orleans Day Nursery Association, and for establishing and maintaining internal control. The objectives of internal control 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.

Definitions

Reportable Conditions

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Kingsley House and New Orleans Day Nursery Association's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Material Weakness

A material weakness is a reportable condition in which the design or operation of internal control 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 could occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1997

SUMMARY OF THE AUDITORS' RESULTS

- An unqualified opinion was issued on the financial statements of the auditee.
- The statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses is not applicable.
- The audit disclosed no instances of noncompliance that were material to the financial statements of the auditee.
- The statement that reportable conditions in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses is not applicable.
- An unqualified opinion was issued on compliance for major programs.
- The audit disclosed no findings which are required to be reported under Section 510(a) of Circular A-133.
- Major programs for the fiscal year ended June 30, 1997 were:
 1. Department of Health and Human Services
 - Head Start Act (CFDA #93.600)
 - Social Services Block Grant (CFDA #93.607)
 2. Department of Housing and Urban Development
 - Community Development Block Grant (CFDA #14.218)
- The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- The auditee did qualify as a low-risk auditee.

KINGSLEY HOUSE AND NEW ORLEANS DAY NURSERY ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
YEAR ENDED JUNE 30, 1997

SCHEDULE OF FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There were no findings related to the financial statements for the year ended June 30, 1997.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

There were no items identified in the course of our testing during the current year required to be reported.

STATUS OF PRIOR YEAR AUCM FINDINGS

There were no instances of non-compliance in the prior year.