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RUACH, INC.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND THE RELATED SINGLE AUDIT REPORTS FOR THE YEAR ENDED DECEMBER 31, 1997

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

Release Date OCT 0 7 1998

RUACH, INC.
TABLE OF CONTENTS

	PAGE
FINANCIAL STATEMENT AUDIT:	
INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITY	4
STATEMENT OF CASH FLOWS	5
NOTES TO THE FINANCIAL STATEMENTS	6
SUPPLEMENTAL INFORMATION:	
SCHEDULE OF REVENUE AND EXPENSES BY FUND	8
SCHEDULE OF FEDERAL AWARDS	9
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	10
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	12
SCHEDULE OF FINDINGS	14
UPDATE OF PRIOR YEAR FINDINGS	15
MANAGEMENT CORRECTIVE ACTION PLAN	16
DATA COLLECTION FORM	17

LUTHER C. SPEIGHT & COMPANY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ruach, Inc.

We have audited the accompanying statement of financial position of Ruach, Inc. (a Louisiana nonprofit organization) as of December 31, 1997, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ruach, Inc. as of December 31, 1997, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 1998, on our consideration of Ruach, Inc. internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Ruach, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Luther C. Speight & Co

Luther C. Speight & Company

New Orleans, Louisiana
August 31, 1998

RUACH, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 1997

ASSETS

Current Assets		
Cash	$	23,244
Accounts Receivable		4,241
Grant Receivable		243,651
Due From Other Programs (Note 2)		88,509
Total Current Assets		359,645
Fixed Assets		
Property and Equipment (Note 4)		56,474
Accumulated Depreciation		(14,119)
Fixed Assets (NET)		42,355
Other Assets		
Prepaid Insurance		4,864
TOTAL	$	406,864

LIABILITIES AND NET ASSETS

LIABILITIES

Current Liabilities		
Due to Other Programs (Note 2)	$	88,509
Payroll Taxes Payable		4,090
Accounts Payable		139,669
LOC - Dryades Bank		75,000
Total Current Liabilities		307,268
NET ASSETS		
Total Net Assets		99,596
Total Liabilities and Net Assets	$	406,864

See Accompanying Notes to Financial Statements

RUACH, INC.

STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 1997

REVENUE:	
Grant Revenue	$1,224,487
Contract Revenue	39,903
Interest Income	1,496
Miscellaneous Revenue	5,708
Total Revenue	$1,271,594
EXPENSES:	
Support Services:	
Salaries	684,108
Group Insurance	70,595
Payroll Taxes	62,902
Client Intakes	8,765
Total Support Services	$ 826,370
Program Services:	
Repair/Maintenance	4,948
Depreciation Expense	14,119
Equipment Lease	1,703
Office Rent	85,401
Insurance	5,341
Convention and Travel	55,754
Travel - Local	15,096
Courier/Delivery	2,623
Printing and Binding	2,012
Computer Services	59,894
Consultants	74,361
Accounting & Auditing	13,875
Computer Supplies	22,751
Office Expense	11,853
Postage	1,426
Information Services	55,707
Dues and Memberships	1,399
Seminars and Meetings	5,401
Donations	15,350
Interest Expense	5,746
Miscellaneous	24,176
Total Program Services	478,936
Total Expenses	$1,305,306
CHANGE IN NET ASSETS	$ (33,712)
NET ASSETS, BEGINNING OF YEAR	58,308
FUND BALANCE ADJUSTMENT (NOTE 3)	75,000
NET ASSETS, END OF YEAR	$ 99,596

See Accompanying Notes to the Financial Statements

RUACH, INC.

STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1997

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in Net Assets	$ (33,712)
Adjustments to Reconcile Net Revenues over Expenditures to net Cash Provided by Operating Activities:	
Changes in Operating Assets and Liabilities:	
Depreciation	14,119
Accounts Receivble	(4,241)
Grant Receivable	4,838
Prepaid Insurance	403
Due From Other Programs	(40,526)
Payroll Taxes Payable	5,685
Due to Other Programs	40,526
Accounts Payable	131,160
LOC-Dryades Bank	(99,365)
Net Increase In Cash From Operating Activities	18,887
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net Decrease in Cash From Investing Activities	(1,226)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net Increase in Cash From Financing Activities	0
NET INCREASE IN CASH	17,661
CASH, BEGINNING OF YEAR	5,583
CASH, END OF YEAR	$ 23,244

See Accompanying Notes to the Financial Statements

RUACH, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED, DECEMBER 31, 1997

1. **SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

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

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

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

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

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

Grant Receivable - Management does not consider any of the receivables to be uncollectible at December 31, 1997. Therefore no allowance for doubtful accounts has been provided for.

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

Due To/Due From Target Cities	$ 83,526
Due To/Due From General Fund	(2,988)
Due To/Due From CSAP	7,971
Total	88,509

3. FUND BALANCE ADJUSTMENT

Disputed payroll taxes existed in prior years which were resolved during this audit period. The resulting amount of $75,000 is reflected as an adjustment to the beginning fund balance.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 1997:

Furniture and Fixtures	755
Equipment	55,719
TOTAL	$56,474

SUPPLEMENTAL INFORMATION

RUACH, INC.

STATEMENT OF ACTIVITIES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1997

	Target Cities 12 months	CSAP 12 months	Other 12 months	Grand Total
REVENUE:				
Grant Revenue	1,151,381	73,106	0	1,224,487
Contract Revenue	0	0	39,903	39,903
Interest Income	361	1,135	0	1,496
Miscellaneous Revenue	2,678	3,030	0	5,708
Total Revenue	1,154,420	77,271	39,903	1,271,594
EXPENSES:				
Support Services:				
Salaries	650,849	23,170	10,089	684,108
Group Insurance	68,568	2,027	0	70,595
Payroll Tax Expense	60,182	2,028	692	62,902
Client Intakes	8,765	0	0	8,765
Total Support Services	788,364	27,225	10,781	826,370
Program Services:				
Repair/Maintenance	4,948	0	0	4,948
Depreciation Expense	0	0	14,119	14,119
Equipment Lease	1,703	0	0	1,703
Office Rent	85,401	0	0	85,401
Insurance	5,341	0	0	5,341
Conventions & Travel	18,566	0	37,188	55,754
Travel - Local	16,844	877	(2,625)	15,096
Courier/Delivery	2,623	0	0	2,623
Printing and Binding	1,543	245	224	2,012
Computer Services	59,894	0	0	59,894
Consultants	19,995	23,400	30,966	74,361
Accounting and Auditing	0	0	13,875	13,875
Computer Supplies	22,592	159	0	22,751
Office Expense	10,721	1,132	0	11,853
Postage	1,038	0	388	1,426
Information Services	50,273	404	5,030	55,707
Dues and Subscriptions	0	0	1,399	1,399
Seminars & Meetings	3,204	0	2,197	5,401
Donations	0	0	15,350	15,350
Interest Expense	0	0	5,746	5,746
Miscellaneous Expenses	21,374	0	2,802	24,176
Total Program Services	326,060	26,217	126,659	478,936
Total Expenses	1,114,424	53,442	137,443	1,305,306
CHANGES IN NET ASSETS	39,996	23,829	(97,537)	(33,712)

RUACH, INC.

SCHEDULE OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1997

Federal Grantor/ Pass Through Grantor	Federal Contract Number	Expenses
Department of Health and Hospitals/Office of Alcohol and Drug Abuse	ADA-96-HP-0237	$ 1,149,424
City of New Orleans	96-HLTH-063	53,442
Total		$ 1,202,866

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
Ruach, Inc.

We have audited the financial statements of Ruach, Inc. as of and for the year ended December 31, 1997, and have issued our report thereon dated August 31, 1998. 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 Ruach, Inc.'s 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 tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as item #1.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered Ruach, Inc.'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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention related to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Ruach, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item #1.

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 none of the reportable conditions described above is a material weakness.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Luther C. Speight & Company

Luther C. Speight & Company

New Orleans, Louisiana
August 31, 1998

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
Ruach, Inc.

Compliance

We have audited the compliance of Ruach, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 1997. Ruach, Inc.'s Major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Ruach, Inc.'s management. Our responsibility is to express an opinion on Ruach, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material affect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ruach, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Ruach, Inc.'s compliance with those requirements.

In our opinion, Ruach, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1997. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs.

Internal Control Over Compliance

The management of Ruach, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Ruach, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Luther C. Speight & Co

Luther C. Speight & Company

New Orleans, Louisiana
August 31, 1998

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RUACH, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE TWELVE MONTHS ENDED, DECEMBER 31, 1997

FINDINGS # 1: CURRENT YEAR AUDIT NOT ENGAGED TIMELY

QUESTIONED COST: NOT APPLICABLE

CONDITION:

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

EFFECT OF CONDITION:

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

CRITERIA:

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

RECOMMENDATION:

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

MANAGEMENT RESPONSE:

Our organization has already made arrangements to contract auditors for the period ended December 31, 1998.

RUACH, INC.
UPDATE OF PRIOR YEAR FINDINGS
12/31/97

		Resolved	Unresolved
Finding #1	Current year audit not engaged timely		X
Finding #2	Payroll tax expenses not recorded properly	X	
Finding #3	The accounting system was not properly maintained. The subledgers were not reconciled to the general ledger.	X	

MANAGEMENT CORRECTION ACTION PLAN

As of the issuance date of the audit report, we have not received the Management Correction Action Plan.

DATA COLLECTION FORM

As of the issuance date of the audit report, we have not received a signed copy of the data collection form from the auditee. Therefore, the copy accompanying this report is unsigned.