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VOLUNTEERS OF AMERICA,
GREATER BATON ROUGE, INC.,
HUMAN SERVICES OF GREATER
BATON ROUGE, INC. AND BATON ROUGE
HOUSING DEVELOPMENT CORPORATION

JUNE 30, 1999

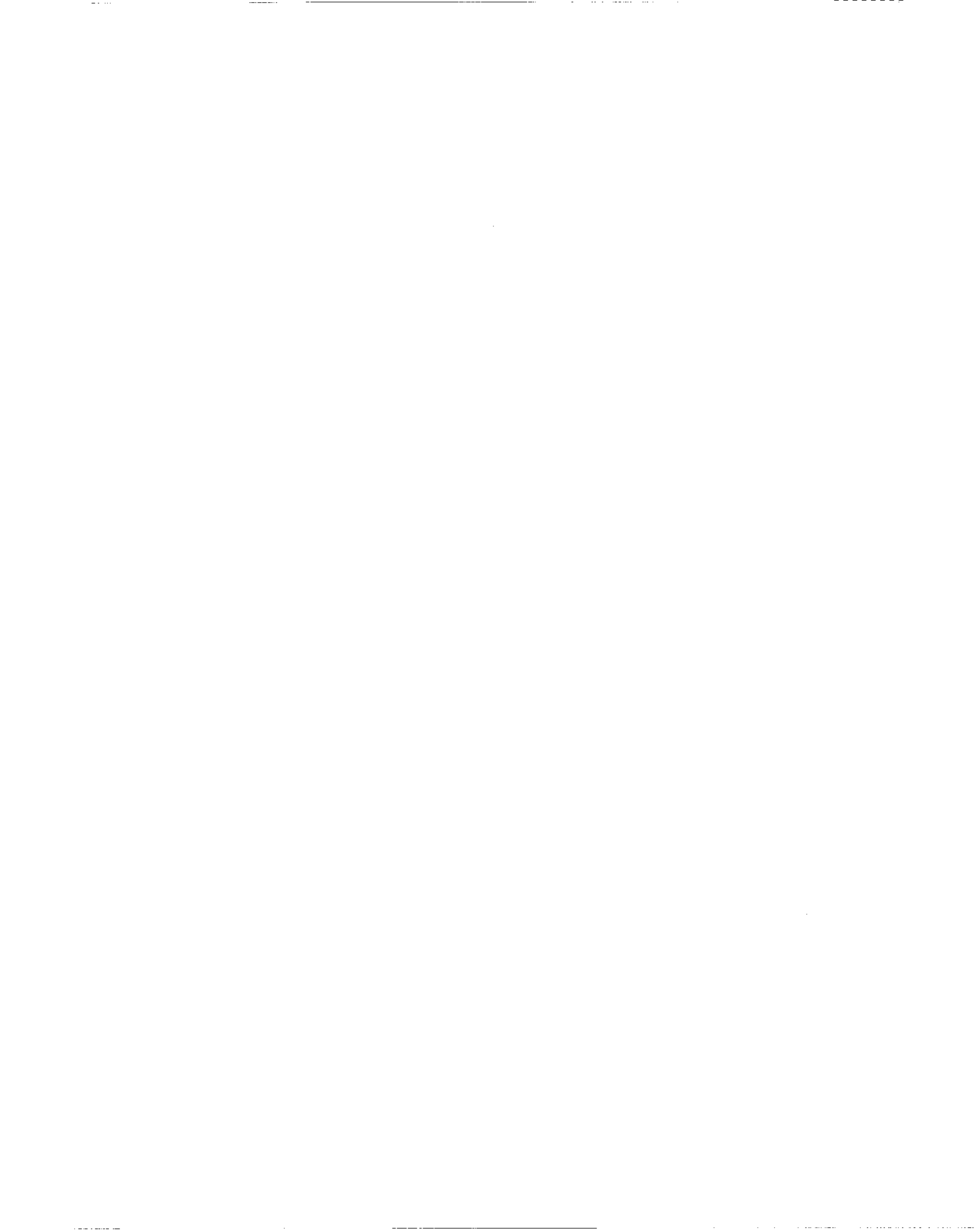
BATON ROUGE, LOUISIANA

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Release Date DEC 01 1999



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Randy J. Bonneau, CPA*
Joseph D. Richard, Jr., CPA*
Ronnie E. Stamper, CPA*
Fernand P. Genre, CPA*
Stephen M. Huggins, CPA*
Monica L. Zumo, CPA*
Ronald L. Gagnon, CPA*
Douglas J. Nelson, CPA*
Celeste D. Viator, CPA*
Laura E. Monroe, CPA

2322 Tremont Drive, Suite 200
Baton Rouge, LA 70809
Phone: (225) 928-4770
Fax: (225) 926-0945

Members American Institute of
Certified Public Accountants
1111 S. Range Avenue, Suite 101
Denham Springs, LA 70726

August 20, 1999

*A Professional Accounting Corporation

Independent Auditor's Report

Board of Directors
Volunteers of America, Greater Baton
Rouge, Inc., Human Services of
Greater Baton Rouge, Inc.,
and Baton Rouge Housing Development
Corporation
Baton Rouge, Louisiana

We have audited the accompanying Combining Statement of Financial Position of Volunteers of America, Greater Baton Rouge, Inc., Human Services of Greater Baton Rouge, Inc. and Baton Rouge Housing Development Corporation as of June 30, 1999, and the related Combining Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended June 30, 1998 is presented for comparative purposes only and was extracted from the financial statements for that year, on which an unqualified opinion dated August 21, 1998 was expressed.

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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of Volunteers of America, Greater Baton Rouge, Inc., Human Services of Greater Baton Rouge, Inc., and Baton Rouge Housing Development Corporation as of June 30, 1999, and the changes in net assets and cash flows for the year then ended in conformity with generally accepted accounting principles.

The year 2000 supplementary information on pages 17-18 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the Year 2000 issue and its effects, and the fact that authoritative measurement criteria regarding the status of remediation efforts have not been established. In addition, we do not provide assurance that Volunteers of America, Greater Baton Rouge, Inc., Human Services of Greater Baton Rouge, Inc. and Baton Rouge Housing Development Corporation are or will become Year 2000 Compliant, that their Year 2000 remediation efforts will be successful in whole or in part, or that parties with which they do business are or will become Year 2000 compliant.

In accordance with Government Auditing Standards, we have also issued our report dated August 20, 1999 on our consideration of the Volunteers of America, Greater Baton Rouge, Inc.'s 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 financial statements of the Organizations taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*) and the Statement of Activities for Special Programs and National Administrative Fees Calculation Form are presented for purposes of additional analysis and are not a required part of the financial statements of Volunteers of America, Greater Baton Rouge, Inc. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

Hannis T. Bourgeois, L.L.P.

Volunteers of America,
Greater Baton Rouge, Inc.,
Human Services of Greater Baton Rouge, Inc. and
Baton Rouge Housing Development Corporation

COMBINING STATEMENT OF FINANCIAL POSITION

as of June 30, 1999
with comparative totals for 1998

ASSETS

	<u>VOLUNTEERS OF AMERICA, GREATER BATON ROUGE, INC.</u>	<u>HUMAN SERVICES OF GREATER BATON ROUGE, INC.</u>
Current Assets:		
Cash	\$ 75,387	\$ 43,009
Accounts Receivable Less Allowance of \$25,000 in 1999 and 1998	1,245,949	15,000
Pledges Receivable	5,416	-
Prepaid Expenses	3,963	-
Land and Buildings Held for Resale	-	-
Other Current Assets	<u>-</u>	<u>2,556</u>
Total Current Assets	1,330,715	60,565
Land, Buildings and Equipment, at Cost Less Accumulated Depreciation of \$645,764 and \$555,145 for 1999 and 1998	727,054	752,472
Baton Rouge Area Foundation, at Fair Value	156,163	-
Other Assets	<u>52,673</u>	<u>246</u>
Total Assets	<u>\$2,266,605</u>	<u>\$ 813,283</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Excess Outstanding Checks Over Bank Balance	\$ 112,218	\$ -
Accounts Payable	158,322	88,659
Other Liabilities	388,174	8,034
Agency Funds Payable	19,339	-
Notes Payable (Due Within One Year)	<u>109,102</u>	<u>32,329</u>
Total Current Liabilities	787,155	129,022
Long-Term Liabilities:		
Notes Payable (Due After One Year)	418,242	546,243
Net Assets:		
Unrestricted	1,019,928	138,018
Temporarily Restricted	20,150	-
Permanently Restricted	<u>21,130</u>	<u>-</u>
Total Net Assets	<u>1,061,208</u>	<u>138,018</u>
Total Liabilities and Net Assets	<u>\$2,266,605</u>	<u>\$ 813,283</u>

The accompanying notes are an integral part of this statement.

BATON ROUGE HOUSING DEVELOPMENT CORPORATION	ELIMINATIONS	1999 COMBINED TOTALS	1998 COMBINED TOTALS
\$ 6,942	\$ -	\$ 125,338	\$ 285,107
-	(108,253)	1,152,696	978,982
-	-	5,416	-
-	-	3,963	3,957
148,295	-	148,295	192,606
<u>-</u>	<u>-</u>	<u>2,556</u>	<u>-</u>
155,237	(108,253)	1,438,264	1,460,652
-	-	1,479,526	1,503,402
-	-	156,163	145,274
<u>-</u>	<u>-</u>	<u>52,919</u>	<u>50,675</u>
<u>\$ 155,237</u>	<u>\$ (108,253)</u>	<u>\$3,126,872</u>	<u>\$3,160,003</u>
\$ -	\$ -	\$ 112,218	\$ -
20,232	(108,253)	158,960	126,203
-	-	396,208	389,497
-	-	19,339	13,974
<u>132,948</u>	<u>-</u>	<u>274,379</u>	<u>540,752</u>
153,180	(108,253)	961,104	1,070,426
-	-	964,485	1,021,333
2,057	-	1,160,003	1,056,562
-	-	20,150	5,132
<u>-</u>	<u>-</u>	<u>21,130</u>	<u>6,550</u>
<u>2,057</u>	<u>-</u>	<u>1,201,283</u>	<u>1,068,244</u>
<u>\$ 155,237</u>	<u>\$ (108,253)</u>	<u>\$3,126,872</u>	<u>\$3,160,003</u>

Volunteers of America,
Greater Baton Rouge, Inc.,
Human Services of Greater Baton Rouge, Inc. and
Baton Rouge Housing Development Corporation

COMBINING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 1999
with comparative totals for 1998

	VOLUNTEERS OF AMERICA, GREATER BATON ROUGE, INC.			TOTAL
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	
Revenues from Operations:				
Public Support Received Directly:				
Contributions	\$ 219,137	\$ 84,690	\$ 14,580	\$ 318,407
Special Events	42,451	-	-	42,451
Public Support Received Indirectly:				
United Way	332,998	-	-	332,998
Volunteers of America Awards and Grants	-	-	-	-
Total Public Support	594,586	84,690	14,580	693,856
Revenue and Grants from Govern- mental Agencies	7,388,136	-	-	7,388,136
Other Revenue:				
Program Service Fees	261,769	-	-	261,769
Rental Income	-	-	-	-
Miscellaneous	53,989	-	-	53,989
Total Other Revenue	315,758	-	-	315,758
Net Assets Released from Restrictions	69,864	(69,864)	-	-
Total Revenues from Operations	8,368,344	14,826	14,580	8,397,750
Operating Expenses:				
Homeless Services	434,479	-	-	434,479
Children and Youth Service	1,804,409	-	-	1,804,409
Mental Health	2,180,137	-	-	2,180,137
Developmental Disability	2,328,361	-	-	2,328,361
Corrections	404,469	-	-	404,469
Employment Training	117,852	-	-	117,852
Housing	-	-	-	-
Total Program Services	7,269,707	-	-	7,269,707
Management and General	655,955	-	-	655,955
Fund Raising	135,123	-	-	135,123
Total Supporting Services	791,078	-	-	791,078
Administrative Fees Paid to National Organization	201,591	-	-	201,591
Total Operating Expenses	8,262,376	-	-	8,262,376
Excess (Deficit) from Operations	105,968	14,826	14,580	135,374
Non-Operating Gains (Losses) and Other Income:				
Interest Income (Net of Expenses of \$859)	11,046	192	-	11,238
Gain (Loss) on Sale of Asset	-	-	-	-
Unrealized Gain on Investments	6,631	-	-	6,631
Surplus (Deficit) from Other Activities	17,677	192	-	17,869
Change in Net Assets	123,645	15,018	14,580	153,243
Net Assets - Beginning of Year	896,283	5,132	6,550	907,965
Net Assets - End of Year	\$1,019,928	\$ 20,150	\$ 21,130	\$1,061,208

The accompanying notes are an integral part of this statement.

HUMAN SERVICES OF GREATER BATON ROUGE, INC.	BATON ROUGE HOUSING DEVELOPMENT CORPORATION		1999 COMBINED TOTALS	1998 COMBINED TOTALS
UNRESTRICTED	UNRESTRICTED	ELIMINATIONS		
\$ 10,000	\$ -	\$ -	\$ 328,407	\$ 156,809
-	-	-	42,451	44,386
-	-	-	332,998	329,236
-	-	-	-	52,500
10,000	-	-	703,856	582,931
15,000	-	-	7,403,136	6,777,456
-	-	-	261,769	314,351
154,384	-	-	154,384	121,132
1,384	-	-	55,373	80,441
155,768	-	-	471,526	515,924
-	-	-	-	-
180,768	-	-	8,578,518	7,876,311
-	-	-	434,479	399,247
-	-	-	1,804,409	1,563,507
-	-	-	2,180,137	1,953,350
-	-	-	2,328,361	2,115,547
-	-	-	404,469	507,919
-	-	-	117,852	160,759
130,528	-	-	130,528	118,379
130,528	-	-	7,400,235	6,818,708
28,231	4,708	-	688,894	669,989
-	-	-	135,123	87,803
28,231	4,708	-	824,017	757,792
-	-	-	201,591	207,065
158,759	4,708	-	8,425,843	7,783,565
22,009	(4,708)	-	152,675	92,746
154	-	-	11,392	10,582
(37,163)	(496)	-	(37,659)	(6,327)
-	-	-	6,631	11,651
(37,009)	(496)	-	(19,636)	15,906
(15,000)	(5,204)	-	133,039	108,652
153,018	7,261	-	1,068,244	959,592
\$ 138,018	\$ 2,057	\$ -	\$1,201,283	\$1,068,244

Volunteers of America,
Greater Baton Rouge, Inc.,
Human Services of Greater Baton Rouge, Inc. and
Baton Rouge Housing Development Corporation

COMBINING STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 1999
with comparative totals for 1998

VOLUNTEERS OF AMERICA, GREATER BATON ROUGE, INC.

	PROGRAM SERVICES						SUPPORT SERVICES		
	HOMELESS SERVICES	CHILDREN AND YOUTH SERVICE	MENTAL HEALTH	DEVELOPMENTAL DISABILITY	CORRECTIONS	EMPLOYMENT TRAINING	TOTAL	MANAGEMENT AND GENERAL	FUND-RAISING
Salaries	\$ 179,078	\$ 867,141	\$1,362,131	\$1,424,555	\$ 264,311	\$ 65,977	\$4,163,193	\$ 364,339	\$ 36,915
Pension Expense	4,767	21,185	26,595	23,270	6,127	1,569	83,512	20,032	2,954
Employee Benefits	16,816	54,102	74,264	93,745	14,904	9,366	263,197	12,670	1,619
Payroll Taxes	13,105	63,762	98,132	105,820	19,704	4,762	305,285	17,670	706
Other Professional Fees	16,443	324,202	34,890	198,359	8,381	2,115	584,390	74,055	66,387
Legal Fees	-	-	44	14	-	614	672	293	6,079
Audit and Accounting Fees	-	3,160	-	-	-	-	3,160	19,290	-
Supplies and Expenses	25,321	191,594	123,116	82,286	19,539	2,200	444,056	15,891	1,481
Telephone	8,308	33,118	38,778	30,404	6,730	2,835	120,173	16,996	367
Postage	-	17,359	3,638	2,192	523	421	24,133	7,143	483
Occupancy Expenses	67,574	97,110	204,084	118,221	22,415	4,866	514,270	45,714	2,454
Interest	-	4,366	2,507	29,715	-	4,159	40,747	10,359	-
Equipment Rental and Maintenance	2,607	8,417	12,069	20,337	4,504	2,916	50,850	5,268	-
Printing and Publications	297	38,992	2,218	4,396	587	261	46,751	7,465	5,228
Travel	1,155	35,497	89,067	62,760	27,951	6,102	222,532	4,538	1,325
Conferences	1,664	20,929	12,925	9,076	486	1,936	47,016	8,449	2,703
Client Subsidy	94,162	6,496	89,817	64,884	118	10	255,487	401	3,167
Other	-	515	3,024	17,758	53	2,819	24,169	12,860	2,075
Depreciation and Amortization	3,182	16,464	2,838	40,569	8,136	4,924	76,113	12,522	980
Total Functional Expenses	\$ 434,479	\$1,804,409	\$2,180,137	\$2,328,361	\$ 404,469	\$ 117,852	\$7,269,707	\$ 655,955	\$ 135,123

Administrative
Fee Paid to
National
Organization

Total Expenses

The accompanying notes are an integral part of this statement.

HUMAN SERVICES OF GREATER BATON ROUGE, INC.

BATON ROUGE HOUSING DEVELOPMENT CORPORATION

	TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES	PROGRAM SERVICES HOUSING	SUPPORT SERVICES MANAGEMENT AND GENERAL	TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES	SUPPORT SERVICES MANAGEMENT AND GENERAL	1999 COMBINED TOTAL	1998 COMBINED TOTAL
\$ 401,254	\$4,564,447	\$ -	\$ 5,706	\$ 5,706	\$ -	\$4,570,153	\$4,306,469
22,986	106,499	-	-	-	-	106,499	107,769
14,489	277,686	-	229	229	-	277,915	267,767
18,376	323,661	-	464	464	-	324,125	308,139
140,442	724,832	-	-	-	-	724,832	559,762
6,372	7,044	365	-	365	-	7,409	2,272
19,290	22,450	-	4,000	4,000	-	26,450	20,775
17,372	461,428	86	551	637	-	462,065	394,811
17,363	137,536	-	-	-	-	137,536	133,597
7,626	31,759	-	-	-	-	31,759	29,761
48,168	562,438	95,110	183	95,293	-	657,731	608,598
10,359	51,106	-	-	-	-	51,106	80,579
5,268	56,118	-	-	-	-	56,118	62,691
12,693	59,444	-	-	-	-	59,444	34,868
5,863	228,395	-	-	-	-	228,395	252,258
11,152	58,168	-	-	-	-	58,168	41,279
3,568	259,055	-	-	-	-	259,055	229,492
14,935	39,104	-	17,098	17,098	4,708	60,910	45,135
<u>13,502</u>	<u>89,615</u>	<u>34,967</u>	<u>-</u>	<u>34,967</u>	<u>-</u>	<u>124,582</u>	<u>90,478</u>
<u>\$ 791,078</u>	<u>8,060,785</u>	<u>\$130,528</u>	<u>\$ 28,251</u>	<u>\$ 158,759</u>	<u>\$ 4,708</u>	<u>8,224,252</u>	<u>7,576,500</u>
	<u>201,591</u>					<u>201,591</u>	<u>207,065</u>
	<u>\$8,262,376</u>					<u>\$8,425,843</u>	<u>\$7,783,565</u>

Volunteers of America,
Greater Baton Rouge, Inc.,
Human Services of Greater Baton Rouge, Inc. and
Baton Rouge Housing Development Corporation

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 1999
with comparative totals for 1998

	<u>VOLUNTEERS OF AMERICA, GREATER BATON ROUGE, INC.</u>	<u>HUMAN SERVICES OF GREATER BATON ROUGE, INC.</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 153,243	\$ (15,000)
Adjustments to Reconcile Change in Net Cash Used by Operating Activities:		
Depreciation	89,615	34,967
Net Unrealized (Gain) Loss on Long-Term Investment	(6,631)	-
Provision for Bad Debts	13,453	-
(Gain) Loss on Disposition of Fixed Assets	-	37,163
Changes in Current Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(231,936)	1,753
(Increase) Decrease in Pledges Receivable	(5,416)	-
(Increase) Decrease in Other Assets	(2,038)	(2,762)
(Increase) Decrease in Land and Buildings Held for Resale	-	-
(Increase) Decrease in Prepaid Expense	(6)	-
Increase (Decrease) in Accounts Payable	33,082	28,278
Increase (Decrease) in Other Liabilities	4,334	2,377
Increase (Decrease) in Agency Funds Payable	<u>5,365</u>	<u>-</u>
Net Cash Provided by Operating Activities	53,065	86,776
Cash Flows From Investing Activities:		
Purchases of Fixed Assets	(100,694)	(42,176)
Proceeds from Sale of Fixed Assets	-	5,000
Purchases of Investment	<u>(4,258)</u>	<u>-</u>
Net Cash Used in Investing Activities	(104,952)	(37,176)
Cash Flows from Financing Activities:		
Proceeds from Issuance of Long-Term Debt	274,041	-
Repayment of Note Payable	(529,233)	(19,652)
Increase (Decrease) in Excess Outstanding Checks Over Bank Balance	<u>112,218</u>	<u>-</u>
Net Cash Provided by (Used in) Financing Activities	<u>(142,974)</u>	<u>(19,652)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(194,861)	29,948
Cash and Cash Equivalents - Beginning of Year	<u>270,248</u>	<u>13,061</u>
Cash and Cash Equivalents - End of Year	<u>\$ 75,387</u>	<u>\$ 43,009</u>
Supplemental Disclosure of Cash Flow Information:		
Cash Payments for Interest	<u>\$ 50,730</u>	<u>\$ 18,192</u>

The accompanying notes are an integral part of this statement.

BATON ROUGE HOUSING DEVELOPMENT CORPORATION		ELIMINATIONS	1999 COMBINED TOTALS	1998 COMBINED TOTALS
\$ (5,204)	\$ -		\$ 133,039	\$ 108,652
-	-		124,582	103,878
-	-		(6,631)	(11,651)
-	-		13,453	9,038
496	-		37,659	6,327
-	43,016		(187,167)	7,627
-	-		(5,416)	-
-	-		(4,800)	(277)
43,815	-		43,815	29,779
-	-		(6)	(10,428)
14,413	(43,016)		32,757	(58,680)
-	-		6,711	78,615
-	-		5,365	525
53,520	-		193,361	263,405
-	-		(142,870)	(423,546)
-	-		5,000	66,000
-	-		(4,258)	(10,992)
-	-		(142,128)	(368,538)
-	-		274,041	451,404
(48,376)	-		(597,261)	(149,906)
-	-		112,218	-
(48,376)	-		(211,002)	301,498
5,144	-		(159,769)	196,365
1,798	-		285,107	88,742
\$ 6,942	\$ -		\$ 125,338	\$ 285,107
\$ -	\$ -		\$ 68,922	\$ 80,425

Volunteers of America,
Greater Baton Rouge, Inc.,
Human Services of Greater Baton Rouge, Inc. and
Baton Rouge Housing Development Corporation

NOTES TO FINANCIAL STATEMENTS

June 30, 1999

Note 1 - Summary of Significant Accounting Policies -

Organization

Volunteers of America, Greater Baton Rouge, Inc. ("the Organization") is a not-for-profit Christian human services agency, recognized as a church, incorporated in the State of Louisiana which provides social services within the Greater Baton Rouge and Southwest Louisiana areas under a charter from Volunteers of America, Inc., a national religious not-for-profit corporation. Human Services of Greater Baton Rouge, Inc. ("the Organization") is a not-for-profit organization incorporated in the State of Louisiana which operates as a property holding corporation for Volunteers of America, Greater Baton Rouge, Inc. Effective July 1, 1997 the operations of the Baton Rouge Housing Development Corporation were transferred over to Volunteers of America, Greater Baton Rouge, Inc. Baton Rouge Housing Development Corporation ("the Organization") is a not-for-profit organization incorporated in the State of Louisiana which operates as a property holding corporation of low income single family dwellings held for resale to qualified individuals.

Principles of Combination

The financial statements include the accounts of Volunteers of America, Greater Baton Rouge, Inc. and the related organizations, Human Services of Greater Baton Rouge, Inc. and Baton Rouge Housing Development Corporation and have been combined in accordance with Statement of Position 94-3, *Reporting of Related Entities by Not-for-Profit Organizations*.

Basis of Accounting

The Organizations prepare their financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

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

Certain balances for prior years have been reclassified to conform to the current year's financial statement presentation.

Property and Equipment

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

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

Land and Buildings Held for Resale

Land and Buildings of Baton Rouge Housing Development Corporation are held for resale. These assets are valued at cost which approximates market.

Cash Equivalents

The Organizations consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, unless held for reinvestment as part of the investment portfolio, pledged to secure loan agreements or otherwise encumbered.

Investments

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

Contributions

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

Promises to Give

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

Contributed Services

The Organizations recognize contribution revenue for certain services received at the fair value of those services provided those services create or enhance nonfinancial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the year ended June 30, 1999, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Allocation of Expenses

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the various functions.

Summary Financial Information for 1998

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, 1998, from which the summarized information was derived.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Federal Income Taxes

Volunteers of America, Greater Baton Rouge, Inc., Human Services of Greater Baton Rouge, Inc., and Baton Rouge Housing Development Corporation are exempt from federal income taxes as subordinate units of Volunteers of America, Inc. Volunteers of America, Inc. 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).

Current Accounting Developments

In March 1998, the AICPA issued SOP 98-2, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities that include Fund Raising*. This SOP applies to fundraising activities of Not-for-Profit Organizations. It requires entities to report the costs of all materials and activities that include fund raising appeal as fund raising costs, including costs that otherwise might be considered program or management and general costs if they had been incurred in a different activity, unless the three criteria of purpose, audience, and content, as defined in the SOP, are

all met. The SOP is effective for years beginning on or after December 15, 1998 and will be adopted in the next fiscal year. Management does not anticipate the adoption of this SOP to have a material affect on the financial statements.

Note 2 - Related Parties -

Volunteers of America, Greater Baton Rouge, Inc. is affiliated with Volunteers of America, Inc. which provides administrative services to the Organization for a fee. Administrative fees for the fiscal year ended June 30, 1999 totaled \$201,591. The Organization owes Volunteers of America, Inc. fees of \$19,250 at June 30, 1999, which is included in accounts payable as reflected in these financial statements.

Human Services of Greater Baton Rouge, Inc. has recorded land, buildings, and leasehold improvements of the America Street, Balis Street, Harry Drive, Brownlee Street, Roselawn, MidCity and River Oaks properties in its financial statements. At June 30, 1999, Human Services of Greater Baton Rouge, Inc. owed Volunteers of America, Greater Baton Rouge, Inc. \$87,961. This amount has been eliminated in these combining financial statements.

Baton Rouge Housing Development Corporation acts as a property holding corporation of low income single family dwellings held for resale. At June 30, 1999, Baton Rouge Housing Development Corporation owes Volunteers of America, Greater Baton Rouge, Inc. \$20,232. This amount has been eliminated in these combining financial statements.

Furthermore, Volunteers of America, Greater Baton Rouge, Inc. acts as a management agent for five U.S. Department of Housing and Urban Development (HUD) housing complexes - Baton Rouge VOA Living Centers, Inc., Baton Rouge Residential Center, Inc., Lake Charles Living Center, Inc., Welsh Elderly Housing, Inc. and Dorcas Manor, Inc. At June 30, 1999, these organizations owed Volunteers of America, Greater Baton Rouge, Inc. \$32,231, \$2,864, \$16, \$12,765 and \$1,606, respectively. These amounts are included in accounts receivable as reflected in these financial statements.

Note 3 - Notes Payable -

Notes Payable of Volunteers of America, Greater Baton Rouge, Inc. are detailed as follows:

<u>DUE WITHIN</u>	<u>DUE AFTER</u>
<u>ONE YEAR</u>	<u>ONE YEAR</u>

Note dated May 12, 1986 with an original balance of \$145,000 payable in monthly installments of \$1,448 during the first twelve month period. This includes interest at a rate of 10½%. Interest fluctuates annually based on the weekly average yield on U. S. Treasury Securities. The maximum aggregate amount of increase or decrease in the interest rate payable during the term of the loan shall not be greater than 5½%; also,

(CONTINUED)

	<u>DUE WITHIN</u> <u>ONE YEAR</u>	<u>DUE AFTER</u> <u>ONE YEAR</u>
--	--------------------------------------	-------------------------------------

the increase or decrease in any given year shall not be greater than 2½%. This note matures June 1, 2006 and is collateralized by property at 827 America St. held by Human Services of Greater Baton Rouge, Inc.

	\$ 8,782	\$ 72,401
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Note dated September 1, 1992 with an original principal balance of \$122,500 payable in 180 monthly installments of \$1,242 which includes interest at a rate of 9%. The note is collateralized by land and building on Drusilla Lane.

	6,512	78,889
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Note dated November 26, 1990 with an original principal balance of \$80,000 payable on demand, or if no demand is made, in 60 monthly installments of \$933 which includes interest at a rate of 11.5% and the balance due on the last installment date. This note was refinanced on August 21, 1997 at an interest rate of 10%. The note is collateralized by land and building on Westmoreland Street.

	7,036	35,308
--	-------	--------

Note dated November 11, 1990 with an original principal balance of \$34,900 payable on demand, or if no demand is made, in 60 monthly installments of \$408 which includes interest at a rate of 11.5% and the balance due on the last installment date. This note was refinanced on August 21, 1997 at an interest rate of 10%. The note is collateralized by land and building on Caddo Street.

	3,283	4,612
--	-------	-------

Note dated December 20, 1996 with an original principal balance of \$200,000 payable in 120 monthly installments of \$2,643 which includes interest at a rate of 10%. The note is collateralized by land and building on Wooddale Boulevard.

	15,606	152,515
--	--------	---------

Note dated April 8, 1997 with an original principal balance of \$21,463 payable in 60 monthly installments of \$446 which includes interest at a rate of 8.9%. The note is collateralized by a 1997 Chevrolet Van.

	4,309	8,992
--	-------	-------

(CONTINUED)

DUE WITHIN DUE AFTER
ONE YEAR ONE YEAR

Note dated April 8, 1997 with an original principal balance of \$20,113 payable in 60 monthly installments of \$418 which includes interest at a rate of 8.9%. The note is collateralized by a 1997 Chevrolet Van.

4,037 8,427

Line of Credit dated April 20, 1999 in the amount of \$600,000. Interest accrues at the index regional rate for Hibernia National Bank (current rate 8.75%). Interest is due in 12 monthly payments and principal is due in one payment by April 20, 2000. The loan is collateralized by accounts receivable.

39,853 -

Note dated July 23, 1997 with an original principal balance of \$23,694 payable in 60 monthly installments of \$484 which includes interest at a rate of 7.75%. The note is collateralized by a 1997 Chevrolet Van.

4,733 11,527

Note dated July 1, 1997 with an original principal balance of \$25,986 payable in 60 monthly installments of \$541 which includes interest at a rate of 8.95%. The note is collateralized by a 1997 GMC Van.

4,692 17,387

Note dated November 4, 1998 with an original principal balance of \$21,217 payable in 48 monthly installments of \$519 which includes interest at a rate of 8.0%. The note is collateralized by a 1999 Ford van.

4,879 13,628

Note dated October 26, 1998 with an original principal balance of \$23,392 payable in 48 monthly installments of \$570 which includes interest at a rate of 8.0%. The note is collateralized by a 1999 Dodge van.

5,380 14,556

\$109,102 \$418,242

Notes Payable of Human Services of Greater Baton Rouge, Inc. are detailed as follows:

DUE WITHIN DUE AFTER
ONE YEAR ONE YEAR

Note dated May 26, 1992 with the City of Baton Rouge-Parish of East Baton Rouge with an original principal balance of \$96,000 and a 0% interest rate. This is a deferred

(CONTINUED)

	<u>DUE WITHIN</u> <u>ONE YEAR</u>	<u>DUE AFTER</u> <u>ONE YEAR</u>
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payment loan for which no payments are due for the first ten years of the loan. During the second 10 year period, 1/10th of the loan will be permanently forgiven each year that the building continues to be used for transitional housing or other related purposes. The note is collateralized by land and building on Brownlee Street.

	\$ -	\$ 96,000
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Note dated May 23, 1994 with the City of Baton Rouge-Parish of East Baton Rouge with an original principal balance of \$88,000 and a 0% interest rate. Loan term is 240 months beginning with the first payment due on or by April 1, 1995. Semi-annual payments are due on October 1, and April 1, thereafter. The note is collateralized by land and building on Balis Street.

	4,400	63,800
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Note dated December 29, 1994 with the City of Baton Rouge-Parish of East Baton Rouge with an original principal balance of \$198,646 and a 0% interest rate. Loan term is 240 months beginning with the first payment due on or by September 1, 1996. The note is collateralized by land and building on Harry Drive.

	9,932	188,714
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Note dated December 3, 1997 with Hibernia National Bank with an original principal balance of \$192,000 and a 8.75% interest rate. Loan term is 120 months beginning with the first payment due on or by January 3, 1998. The note is collateralized by land and building on River Road.

	14,513	157,858
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Note dated December 3, 1997 with a private investor with an original principal balance of \$48,000 and an interest rate of 9.5%. Loan term is 120 months beginning with the first payment due on or by January 3, 1998. This note will require balloon payment after 5 years. The note is collateralized by land and building on River Road.

	<u>3,484</u>	<u>39,871</u>
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	<u>\$ 32,329</u>	<u>\$546,243</u>
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Notes Payable of Baton Rouge Housing Development Corporation are detailed as follows:

	<u>DUE WITHIN</u> <u>ONE YEAR</u>	<u>DUE AFTER</u> <u>ONE YEAR</u>
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Loan agreement originally dated June 28, 1994 (and amended April 27, 1995 September 25, 1997 and September 29, 1998) with the City of Baton Rouge-Parish of East Baton Rouge with a maximum loan

(CONTINUED)

Total rental expenses for the year ended June 30, 1999 for all operating leases was \$312,662 for Volunteers of America, Greater Baton Rouge, Inc., \$-0- for Human Services of Greater Baton Rouge, Inc., and \$-0- for Baton Rouge Housing Development Corporation.

Note 5 - Restrictions on Net Assets -

Temporarily restricted net assets are available for the following purposes:

Parker House - Repairs and Renovations	\$ 14,826
Capital Outlay	5,232
Program Services	<u>92</u>
	<u>\$ 20,150</u>

Permanently restricted net assets consist of the following:

Family Fund Endowment	<u>\$ 21,130</u>
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Note 6 - Net Assets Released from Restrictions -

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

	<u>VOLUNTEERS OF AMERICA, GREATER BATON ROUGE, INC.</u>
Pennington Foundation	\$ 10,174
Local Churches	59,535
Miscellaneous - Other	<u>155</u>
	<u>\$ 69,864</u>

Note 7 - Investments -

In accordance with SFAS No. 124 "Accounting for Certain Investments held by Not-For-Profit Organizations", investments are stated at market value. At June 30, 1999, investments have a market value of \$156,163 and a cumulative unrealized gain of \$31,725 since adoption of SFAS No. 124. The unrealized gain of \$6,631 and interest income of \$4,258 earned on this investment in the current year are reflected in the Statement of Activities. There were no investments held by Human Services of Greater Baton Rouge, Inc. and Baton Rouge Housing Development Corporation as of June 30, 1999.

Note 8 - Accrued Annual Leave -

Volunteers of America, Greater Baton Rouge, Inc. has recorded an estimated liability for accrued leave of an amount based on the total hours of leave accumulated at June 30, 1999, times the employees' hourly rate at June 30, 1999. Employees accrue hours based upon their length of service. No more than one hundred twenty hours of leave can be carried over from one year to another. Accrued leave in the amount of \$112,923 is included in the other liabilities account on the Statement of Financial Position.

Note 9 - Pension Plan - Mutual of America for Ministers -

Volunteers of America, Greater Baton Rouge, Inc. participates in a noncontributory defined benefit pension and retirement plan. The plan is administered through a commercial insurance company and covers all commissioned ministers. Pension plan expense was \$15,074 for the year ended June 30, 1999.

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

Note 10 - Thrift Plan -

Volunteers of America, Greater Baton Rouge, Inc. established a Section 403(b) Thrift Plan effective January 1, 1992. The plan covers all employees with a minimum of one year of service. The Organization will contribute 3.25% of all participants' compensation and will match an amount equal to 50% of the basic employee contributions made by each participant limited to 1% of their wages. Employees will be 100% vested in the employer contribution upon completion of five years of service. The expense for the year ended June 30, 1999 was \$91,425.

Note 11 - Commitments and Contingencies -

Volunteers of America, Greater Baton Rouge, Inc. has an employee medical benefit plan to self-insure claims up to a maximum aggregate deductible computed based on actual participation. Claims exceeding this aggregate deductible amount are covered by a stop-loss reinsurance policy. The Organization and its covered employees contribute to the Plan to pay the claims and stop-loss reinsurance premiums.

Note 12 - Concentration of Credit Risk -

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

The Organizations maintain cash accounts with commercial banks which are insured by the Federal Deposit Insurance Corporation up to \$100,000. Periodically, cash may exceed the federally insured amount.

REQUIRED SUPPLEMENTARY INFORMATION

Volunteers of America,
Greater Baton Rouge, Inc.,
Human Services of Greater Baton Rouge, Inc. and
Baton Rouge Housing Development Corporation

YEAR 2000 ISSUES

June 30, 1999

The Year 2000 Issue

In October 1998, the Governmental Accounting Standards Board (GASB) issued Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*. The provisions of the GASB technical bulletin, effective for financial statements on which the auditor's report is dated after October 31, 1998, requires Volunteers of America, Greater Baton Rouge, Inc., Human Services of Greater Baton Rouge, Inc. and Baton Rouge Housing Development Corporation to make disclosures about their state of readiness in addressing the Year 2000 issues for their internal computer systems and equipment. On March 29, 1999, GASB issued Technical Bulletin 99-1 which amended the previously issued disclosure requirements allowing for the disclosure to be made in the required supplementary information (RSI). *"This disclosure is written pursuant to the Year 2000 Information and Readiness Disclosure Act, Public Law No. 105-271, 112 Stat. 2386 (1998)."*

The Year 2000 Issue is the result of shortcomings in electronic data-processing systems and other equipment that may adversely affect operations in the year 1999 and beyond.

The following stages have been identified by the GASB as necessary to implement a Year 2000-compliant system:

Awareness Stage - In this first stage, an organization establishes a budget and project plan (for example, a time line or chart noting major tasks and due date) for dealing with the Year 2000 issue.

Assessment Stage - While in this stage, an organization begins the actual process of identifying all of its systems (preparing an inventory) and individual components of the systems. An organization may decide to review all system components for Year 2000 compliance or, through a risk analysis, identify only mission-critical systems and equipment-systems and equipment critical to conducting operations to check compliance.

Remediation Stage - During this stage, an organization actually makes changes to systems and equipment. This stage involves the technical issues of converting existing systems, or switching to compliant systems. Decisions are made on how to make the system or processes Year 2000 compliant, and the required system changes are made.

Validation/Testing Stage - At this stage, an organization validates and tests the changes made during the conversion process. The development of test data and test scripts, the running of test scripts, and the review of test results are crucial for this stage of the conversion process to be successful. If the testing results show anomalies, the tested area needs to be corrected and re-tested.

Volunteers of America,
Greater Baton Rouge, Inc.,
Human Services of Greater Baton Rouge, Inc. and
Baton Rouge Housing Development Corporation

YEAR 2000 ISSUES - (Continued)

June 30, 1999

The Organizations have considered the impact of Year 2000 Issues on their computer systems and applications. Conversion activities are in progress and the Organizations' software vendors have notified the Organizations that the software is Year 2000 compliant. Expenses in the current year for the Year 2000 project were \$-0- and the Organizations expect to incur no additional expenses.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the Organizations are or will be Year 2000 ready, that the Organizations' remediation efforts will be successful in whole or in part, or that parties with whom the Organizations do business will be Year 2000 ready.

OTHER SUPPLEMENTARY INFORMATION

Volunteers of America,
Greater Baton Rouge, Inc.

STATEMENT OF ACTIVITIES FOR SPECIAL PROGRAMS*

For the Year Ended June 30, 1999

Revenues from Operations:	
Public Support	\$ 133,664
Government Grants and Fees	353,338
United Way Allocation	332,998
Other	<u>12,160</u>
Total Revenues from Operations	832,160
Operating Expenses:	
Salaries	397,839
Employee Benefits	44,288
Payroll Taxes	28,864
Professional Fees	25,275
Supplies and Office Expenses	63,942
Administrative Expenses	69,198
Occupancy	85,928
Interest	1,670
Equipment Rental and Maintenance	3,773
Printing and Publications	511
Travel	9,390
Client Cash Subsidy	68,845
Depreciation	<u>9,868</u>
Total Operating Expenses	<u>809,391</u>
Change in Net Assets	<u>\$ 22,769</u>

*Includes all programs of Volunteers of America, Greater Baton Rouge, Inc. which received Capital Area United Way Funding.

Note: For the fiscal year ended June 30, 1999, Family Emergency Shelter contributed \$4,800 of Capital Area United Way Funding to the Downtown Christian Outreach Center.

Volunteers of America,
Greater Baton Rouge, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

for the year ended June 30, 1999

<u>FEDERAL GRANTOR/ PASS - THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENSES</u>
<u>U.S. Department of Housing and Urban Development</u>		
Direct Program		
Special Needs Assistance Program	N/A	\$ 30,393
Passed Through City Parish		
Emergency Shelter Grants Program	14.231	65,487
Passed Through Emergency Food and Shelter National Board Program		
Emergency Food and Shelter Program	N/A	4,310
Passed Through Louisiana Department of Health and Hospitals, Office of Mental Health		
PATH	N/A	<u>84,284</u>
Total U.S. Department of Housing and Urban Development		184,474
<u>U.S. Department of Justice</u>		
Passed Through Louisiana Commission on Law Enforcement and Administration of Criminal Justice		
Emergency Evaluation and Treatment Program Subgrant 97-C5-V.3-0359	16.575	22,905
96-C5-V.3-0324	16.575	<u>19,496</u>
Total U.S. Department of Justice		42,401
<u>U.S. Department of Health and Human Services</u>		
Passed Through Louisiana Department of Social Services, Office of Community Services		
Family Based Services Reunification	93.667	129,905

(CONTINUED)

<u>FEDERAL GRANTOR/ PASS - THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENSES</u>
Family Based Services, Family Resource Center	93.656	337,911
Passed Through Louisiana Department of Health and Hospitals, Office of Mental Health PACT	93.992	<u>126,045</u>
Total U.S. Department of Health and Human Services		<u>593,861</u>
Total Federal Assistance		<u>\$ 820,736</u>

Volunteers of America,
Greater Baton Rouge, Inc.

NATIONAL ADMINISTRATIVE FEES
CALCULATION FORM

for the year ended June 30, 1999

1.	Total accrual revenue from audited financial statement	\$ 8,558,882
1a.	Plus: Pledges Receivable, June 30, 1998	-
1b.	Less: Pledges Receivable, June 30, 1999	<u>5,416</u>
		8,553,466
2.	Less: Allowable Exclusions	
	<u>Amount</u>	
	Explanation of each exclusion:	
	A. Duplicated revenues	\$ 206,323
	B. In-kind revenues	-
	C. Capital contributions/grants	50,000
	D. Encumbered Financing	-
	E. Acquired 501(c)(3)	-
	F. Custodial or Third Party Financing	135,454
	G. Donor Restricted Contributions	14,580
	H. Investment Earnings/Net Capital Gains	18,023
	I. Phase out of Prior Exclusions	<u>65,446</u>
3.	Total Allowable Exclusions	<u>489,826</u>
4.	Adjusted Revenue	<u>\$ 8,063,640</u>
Calculate Affiliate Fees:		
5.	Enter Line 4 x 2.5% up to a Maximum of \$25,000,000. If Line 4 < \$25,000,000 Enter Amount Calculated on Line 7.	\$ 201,591
6.	If Line 4 < \$25,000,000, go to Line 7, else Calculate Fee Based on 1998 Sliding Scale. Multiply this Amount by 1.05 and Enter in Line 6. Enter Lesser of Line 5 or Line 6 in Line 7.	<u>-</u>
7.	Affiliate Fees	201,591
8.	Less credit available at June 30, 1999	<u>(706)</u>
		200,885
9.	Amount due to national office as of June 30, 1998	20,200
10.	Total cash payments to national office for fiscal year June 30, 1999	<u>(201,835)</u>
11.	Amount due to national office as of June 30, 1999	<u>\$ 19,250</u>

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



Hannis T. Bourgeois, L.L.P.

Certified Public Accountants

Randy J. Bonnecaze, CPA*
Joseph D. Richard, Jr., CPA*
Ronnie E. Stamper, CPA*
Fernand P. Genre, CPA*
Stephen M. Huggins, CPA*
Monica L. Zumo, CPA*
Ronald L. Gagnet, CPA*
Douglas J. Nelson, CPA*
Celeste D. Viator, CPA*

Laura E. Monroe, CPA

*A Professional Accounting Corporation

2322 Tremont Drive, Suite 200
Baton Rouge, LA 70809
Phone: (225) 928-4770
Fax: (225) 926-0945

*Members American Institute of
Certified Public Accountants*

1111 S. Range Avenue, Suite 101
Denham Springs, LA 70726

August 20, 1999

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

We have audited the financial statements of Volunteers of America, Greater Baton Rouge, Inc. as of and for the year ended June 30, 1999, and have issued our report thereon dated August 20, 1999. 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 Volunteers of America, Greater Baton Rouge, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Volunteers of America, Greater Baton Rouge, 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Respectfully submitted,

Hannis T. Bourgeois, L.L.P.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO ITS MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133



Hannis T. Bourgeois, L.L.P.

Certified Public Accountants

Randy J. Bonneau, CPA*
Joseph D. Richard, Jr., CPA*
Ronnie E. Stamper, CPA*
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Stephen M. Huggins, CPA*
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Laura E. Monroe, CPA

*A Professional Accounting Corporation

2322 Tremont Drive, Suite 200
Baton Rouge, LA 70809
Phone: (225) 928-4770
Fax: (225) 926-0945

*Members American Institute of
Certified Public Accountants*

1111 S. Range Avenue, Suite 101
Denham Springs, LA 70726

August 20, 1999

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

Compliance

We have audited the compliance of Volunteers of America, Greater Baton Rouge, 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 its major federal program for the year ended June 30, 1999. Volunteers of America, Greater Baton Rouge, Inc.'s major federal program is 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 its major federal program is the responsibility of Volunteers of America, Greater Baton Rouge, Inc.'s management. Our responsibility is to express an opinion on Volunteers of America, Greater Baton Rouge, 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 effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Volunteers of America, Greater Baton Rouge, 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 Volunteers of America, Greater Baton Rouge, Inc.'s compliance with those requirements.

In our opinion, Volunteers of America, Greater Baton Rouge, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

The management of Volunteers of America, Greater Baton Rouge, 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 Volunteers of America, Greater Baton Rouge, 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 Board of Directors, management, the Office of the Louisiana Legislative Auditor and any cognizant agency, and should not be used for any other purpose.

Respectfully submitted,

Hannia T. Bourgeois, L.L.P.

Volunteers of America, Greater Baton Rouge, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

for the year ended June 30, 1999

As required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, the following is a summary of the results of our audit:

- * Type of report issued on financial statements - unqualified.
- * Type of report issued on compliance for major program - unqualified.
- * The results of audit procedures disclosed no material noncompliance in major programs.
- * The results of audit procedures disclosed no questioned costs.
- * Our audit disclosed no findings which are required to be reported under Section 510(a).
- * The following program was determined to be a Type A major program:

CFDA NUMBER

U.S. Department of Health and Human Services
Passed Through Louisiana Department of
Social Services, Office of Community Services

Family Based Services, Family Resource Center 93.656

- * The dollar threshold used to distinguish between Type A and Type B programs was \$300,000 as specified under Section 520(b).
- * Volunteers of America, Greater Baton Rouge, Inc. qualified as a low risk auditee under Section 530.