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FAITH HOUSE, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

June 30, 1998

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Faith House, Inc.
Lafayette, Louisiana

We have audited the accompanying statement of financial position of *Faith House, Inc. (Faith House) (a not-for-profit corporation)* as of June 30, 1998, and the related statements of activities, cash flows, and functional expenses for the fiscal year then ended. These financial statements are the responsibility of Faith House'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. 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 Faith House as of June 30, 1998, and the changes in its net assets and its cash flows for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 1998, on our consideration of Faith House's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants.

Moore & Rolfes

Moore & Rolfes
Lafayette, Louisiana
October 28, 1998

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL GOVERNMENTAL AUDITING STANDARDS

To the Board of Directors
Faith House, Inc.
Lafayette, Louisiana

We have audited the financial statements of Faith House, Inc. (a not-for-profit corporation) as of and for the fiscal year ended June 30, 1998, and have issued our report thereon dated October 28, 1998. We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the Louisiana Governmental Audit Guide.

COMPLIANCE As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Faith House's 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 Faith House'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 information of the audit committee, management, the U.S. Department of Housing and Urban Development, Emergency Shelter Grant Program, the Louisiana Legislative Auditor's office and the local Board of United Way and F.E.M.A. However, this report is a matter of public record, and its distribution is not limited.

Moore & Rolfes

Moore & Rolfes
Lafayette, Louisiana
October 28, 1998

FAITH HOUSE, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 1998

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 635,906	
Accounts receivable - grants	103,292	
Unconditional promises to give - current (Note I)	653,577	
Prepaid expenses	3,439	
Total current assets		$ 1,396,214
PROPERTY AND EQUIPMENT (Notes A, F, G)		
Land	34,280	
Buildings and improvements	536,639	
Furniture, equipment & computers	86,610	
Vehicles	15,000	
Total property and equipment		672,529
Less: accumulated depreciation		(139,441)
Net property and equipment		533,088
OTHER ASSETS		
Deposits	55	
Unconditional promises to give - long term (Note I)	12,830	
Total other assets		12,885
TOTAL ASSETS		$ 1,942,187

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses (Note C)	$ 110,345	
Deferred revenue (Note A)	46,562	
Current portion of long-term debt (Notes F, G)	9,623	
Total current liabilities		$ 166,530
LONG-TERM LIABILITIES		
Mortgage notes payable - net of current portion (Notes F, G)	-0-	
Total long-term liabilities		-0-
Total liabilities		166,530
NET ASSETS (Note A)		
Unrestricted		
Operating fund	222,489	
Plant fund	419,939	
Temporarily restricted	1,133,229	
Total net assets		1,775,657
TOTAL LIABILITIES AND NET ASSETS		$ 1,942,187

See accompanying notes to financial statements.

FAITH HOUSE, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 1998

	Unrestricted	Temporarily Restricted	Total
Support and revenue: (Note A)			
Support:			
Individual and corporate donations	$ 36,109	$ -	$ 36,109
Other donations	-	-	-
Building drive	-	1,031,216	1,031,216
Church & civic groups	13,820	-	13,820
Grants:			
Lafayette Cons. Govt.			
- CDBG (client advocate)	-	3,128	3,128
- City/Parish	-	24,628	24,628
- Children's Program/LPSB	-	12,580	12,580
State of Louisiana			
- OWS	-	177,625	177,625
- IOLTA (LBF)	-	30,000	30,000
- CVA	-	102,951	102,951
G.P.O.A.	-	10,000	10,000
Abbeville outreach	-	600	600
United Way of Acadiana, St. Landry		96,715	96,715
F.E.M.A.	-	11,816	11,816
V.A.W.A.	-	-	-
Total support	49,929	1,501,259	1,551,188
Revenue and user fees:			
Investment income	6,880	9,029	15,909
Total revenue	6,880	9,029	15,909
Net assets released from restrictions (Note H)	674,405	(674,405)	-
Total support and revenue	$ 731,214	$ 835,883	$1,567,097

See accompanying notes to financial statements.

	Unrestricted	Temporarily Restricted	Total
Expenses:			
Program services	$ 331,078	$ -	$ 331,078
Depreciation expense	14,444	-	14,444
Total program services expenses	345,522	-	345,522
Supporting services:			
Management and general	112,110	-	112,110
Fundraising expenses	32,584	-	32,584
Depreciation expense	5,528	-	5,528
Total supporting services	150,222	-	150,222
Total expenses	495,744	-	495,744
Increase in net assets	235,470	835,883	1,071,353
Net assets, beginning of year	406,958	283,846	690,804
Prior period adjustment	-	13,500	13,500
Net assets, end of year	$ 642,428	$1,113,229	$1,775,657

See accompanying notes to financial statements.

FAITH HOUSE, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 1998

Cash flows from operating activities:	
Increase in net assets	$1,071,353
Prior period adjustment	13,500
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	19,972
(Increase) in pledges receivable	(586,560)
Decrease in prepaid expenses	2,142
(Increase) in grants receivable	(24,042)
Increase in accounts payable and accrued expenses	104,202
Increase in deferred revenue	31,985
Net cash provided by operating activities	632,552
Cash flows from investing activities:	
Purchase of furniture & equipment	(579)
Purchase of building and improvements	(281,486)
Net cash used by investing activities	(282,065)
Cash flows from financing activities:	
Payments on long-term debt	(18,889)
Net cash used by financing activities	(18,889)
Net increase in cash and cash equivalents	331,598
Cash & cash equivalents at beginning of year	304,308
Cash & cash equivalents at end of year	$ 635,906

See accompanying notes to financial statements.

FAITH HOUSE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 1998

	Program Services	Supporting Services	Total Expenses
Expenses			
Advertising	$ 1,136	$ -	$ 1,136
Bank charges	660	464	1,124
Business express	-	-	-
Contract labor	1,256	10,502	11,758
Client expenses	5,160	-	5,160
Contract services	699	-	699
Depreciation	14,444	5,528	19,972
Dues and subscriptions	-	1,680	1,680
Fund raising expenses	-	32,584	32,584
Insurance - group medical	15,122	3,780	18,902
Insurance - general	6,009	5,415	11,424
Interest expense	1,955	-	1,955
Legal and accounting	-	6,745	6,745
Library and videos	584	-	584
Laundry and cleaning	1,929	-	1,929
Maintenance and repairs	7,839	528	8,367
Miscellaneous	968	350	1,318
Office supplies	1,678	4,996	6,674
Payroll taxes	22,938	1,757	24,695
Postage	112	2,330	2,442
Printing	-	5,269	5,269
Rent - outreach/office	2,940	6,960	9,900
Salaries and wages	208,840	52,210	261,050
Supplies and summer program	1,119	-	1,119
Telephone	6,766	5,026	11,792
Training	2,350	576	2,926
Trash disposal	2,183	-	2,183
Travel	4,316	282	4,598
Utilities	9,498	3,240	12,738
Write-offs of uncollectible pledges	25,021	-	25,021
Total expenses	$ 345,522	$150,222	$ 495,744

See accompanying notes to financial statements.

FAITH HOUSE, INC.

Notes to Financial Statements

For the Year Ended June 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Faith House, Inc. (Faith House) is presented to assist in understanding Faith House's financial statements.

Nature of Activities

Faith House was established in 1980 and incorporated as a Louisiana non-profit corporation on November 20, 1980, for the purpose of providing food and shelter to women and children in need, as well as crisis counseling, information and referral, support groups and after care to victims of domestic violence, and community education about family violence.

Basis of Accounting

Faith House's books and records are routinely maintained on the cash basis of accounting and converted to the accrual basis at year-end for financial reporting purposes. The financial statements presented herein have been prepared on the accrual basis.

Financial Statement Presentation

Effective for fiscal year ended August 31, 1996, Faith House began the application of the accounting standard as prescribed by SFAS 117, **Financial Statements of Not-for-Profit Organizations.** Under SFAS No. 117, Faith House is required to present a statement of cash flows. As permitted by this new statement, Faith House has altered its use of fund accounting (for reporting purposes) and has, accordingly, reclassified its financial statements to present the three classes of net assets required, and eliminated the "fund balance" terminology. Faith House has only unrestricted and temporarily restricted classes. This reclassification had no effect on the change in net assets for the year ended August 31, 1996 or for the year ended June 30, 1998.

Contributions - Change in Method of Accounting

Effective for fiscal year ended August 31, 1996, Faith House began the application of the accounting standard as prescribed by SFAS 116, **Accounting for Contributions Received and Contributions Made.** In accordance with SFAS 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any

Continued

donor restrictions. Under SFAS 116, contributions other than "exchange contract" revenue are now required to be reported as unrestricted or temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction or expenditure of the funds. In effect, the recognition of this as support occurs at the receipt of the award, regardless of when the money is spent, unless it is in the nature of an "exchange contract" for services rendered. For the year ended August 31, 1996, the cumulative effect of this change was $11,706, and zero for the year ended June 30, 1998.

Accounting for Restricted/Unrestricted Support

Faith House reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use or timing of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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.

Faith House reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Faith House reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Property and Equipment and Depreciation

Faith House follows the practice of capitalizing (at cost) all major expenditures for property and equipment; the fair market value of donated assets is similarly capitalized and the donation recorded as restricted or unrestricted support as described above. Depreciation of furniture, equipment and buildings is computed using the straight-line method over useful lives of five to twenty-five years.

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.

Continued

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Vacation and Sick Leave

Vacation and sick leave are recorded as expenses of the period in which paid. Vacation must be taken in the year accrued and can not be carried over. Sick leave is accumulated by employees at a rate dependent on years of employment. Although sick leave is available for employees when needed, it does not vest nor is it payable at termination of employment. Therefore, no liability has been recorded in the accounts as of June 30, 1998.

Promises to Give

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.

Other Matters

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

As a not-for-profit organization, Faith House pays no state or federal income tax as a 501(c) (3) organization.

NOTE B - CONTRIBUTED SERVICES

Effective for the fiscal year ended August 31, 1996, Faith House began the application of the accounting standard as prescribed by SFAS 116 and 117. Accordingly, contributed services of volunteers shall only be recognized in the statement of activities if the services received: a) create or enhance nonfinancial assets (land, buildings, etc.) or b) require specialized skills, are provided by individuals possessing those

Continued

skills, and would typically need to be purchased if not provided by donations. Faith House received a significant amount of donated services from unpaid volunteers. Such services include volunteer hours contributed at the shelter, at the administrative offices, or the Board of Directors, etc. Although such donated services do not meet the aforementioned criteria for recognition in the financial statements, they provide a significant impact on the success of the Organization's programs.

Donated facilities are considered contributed assets and not services, and, when material, are recognized in the statement of activities at the fair market value as both revenue and expense in the period it is received and used.

NOTE C - ACCRUED EXPENSES / ACCOUNTS PAYABLE

Accrued expenses consists of accrued payroll and payroll taxes of $3,579 and accounts payable to vendors of $106,776.

NOTE D - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a program basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The statement of functional expenses gives a more detailed breakdown of the various expense categories for both program and supporting services by their natural accounting categories.

NOTE E - DONATED MATERIALS AND SERVICES

Donated materials and services received by Faith House comprise a small portion of total receipts. These donated materials and services are then used by Faith House in rendering services provided to recipients. In some circumstances, it is appropriate to value such donations received and used, and reflect the receipt and use of donated services and the receipt and use of donated materials in the financial statements. See changes required by SFAS 116 in Footnote B for donated services.

Donated materials and services are reflected as contributions and services provided in the accompanying statements at their estimated values, when the criteria of SFAS 116 are met. In the current year, there were $3,000 in donations of long-lived assets (recorded in other donations), and no donated services met the criteria of SFAS 116. See Note B for unrecognized contributed services.

Continued

NOTE F - DEBT SERVICE REQUIREMENTS - MORTGAGE PAYABLE

The following maturities, excluding interest, are due over the next five fiscal years on long-term debt:

		Shelter Building Mortgage
Year ended June 30,	1999	$ 7,412
	2000	2,210
	2001	-
	2002	-
	2003	-
2004 and thereafter		-
		$ 9,622

NOTE G - MORTGAGE NOTES PAYABLE

Shelter Building

Faith House purchased the shelter building in 1986, and the seller owner-financed the land and building. The original mortgage balance was $80,000. Monthly payments of $772 are paid to the mortgagor, including interest at 10%. Cumulative principal payments of $70,378 have reduced the balance to $9,622 as of June 30, 1998.

NOTE H - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor/grantor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors/grantors. Total amount released from restrictions during the year was $674,405.

NOTE I - PROMISES TO GIVE

Unconditional promises to give consists of the following:

	Amounts due in less than one year	Amounts due in more than one year	Total
Unrestricted promises	$ -	$ -	$ -
Restricted to construction of the new shelter	658,157	16,000	674,157

CONTINUED

Less: Discounts to present value	-	(906)	(906)
	658,157	15,094	673,251
Less: allowance for uncollectible pledges	(4,580)	(2,264)	(6,844)
Net promises to give	$ 653,577	$ 12,830	$ 666,407

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 6%.

NOTE J - IOLTA GRANT

Temporarily restricted net assets:

Cash	$ 410,092
Grant receivables	103,292*
Promises to give	$ 666,407
Less: deferred revenues	(46,562)
	$1,133,229

*IOLTA portion of this is $15,000.

NOTE K - CONCENTRATION OF CREDIT RISK

The organization maintains its cash balances in one financial institution located in Lafayette, Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to $100,000. At June 30, 1998, the organization's uninsured cash balances total $535,372.

Concluded

FAITH HOUSE, INC.

Management Letter

June 30, 1998

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To the Management and
Board of Directors
Faith House, Inc.

In planning and performing our audit of the financial statements of Faith House, Inc. for the year ended June 30, 1998, we considered the Organization's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control structure.

However, during our audit , we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. We previously reported on the Organization's internal control structure in our report dated October 28, 1998.

We will review the status of these comments during our next auditing engagement. Our comments and recommendations are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

FINDING: Due to a lack of coordination and understanding as to responsibilities, although the audit was completed and reports delivered to management in October, 1998, the requisite number of copies were not submitted to the Office of the Legislative Auditor. This oversight is an instance of noncompliance with laws, regulations, contracts, and grants and is required to be reported under Government Auditing Standards.

RECOMMENDATION: We recommend that the Executive Director of the Organization, the treasurer of the Board, the bookkeeper and the external auditor meet and discuss a plan to ensure that as soon as the audit is completed and delivered to the board the required copies are submitted to the Office of the Legislative Auditor in a timely fashion.

MANAGEMENT RESPONSE: We concur with the auditors' recommendation and are scheduling a meeting of the aforementioned parties to develop such a plan to ensure that the audit report is submitted to the Office of the Legislative Auditor in a timely fashion.

This report is intended solely for the information of the Board of Directors and Management of Faith House, Inc., applicable state and federal agencies and the Louisiana Legislative Auditor.

Moore & Rolfes

Moore & Rolfes, CPA
Lafayette, LA
February 4, 1999