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**BROOKHAVEN HOMES OF LOUISIANA, INC.**  
**FINANCIAL STATEMENTS**  
**WITH INDEPENDENT AUDITOR'S REPORT THEREON**  
**YEAR ENDED JUNE 30, 1998**

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.

MAR 10 1999

Release Date \_\_\_\_\_

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CPA

Certified Public Accountant, I.P.C.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Brookhaven Homes of Louisiana, Inc.

I have audited the accompanying statement of financial position of Brookhaven Homes of Louisiana, Inc. (a nonprofit organization) as of June 30, 1998, and the related statements of activity, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with general 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 I 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. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brookhaven Homes of Louisiana, Inc. as of June 30, 1998, and the changes in its net assets and cash flows for the year then ended in accordance with generally accepted accounting principles.

As discussed in Note 8 to the financial statements, the Organization has an outstanding tax liability with the Internal Revenue Service that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 8. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, I have also issued a report dated January 26, 1999, on my consideration of Brookhaven Homes of

Business

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Taxes

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Finance

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Louisiana, Inc.'s internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants.

My audit was performed for the purpose of forming an opinion on the basis financial statements of Brookhaven Homes of Louisiana, Inc. taken as a whole. The accompanying schedule 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 basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Brian E. Adorno, CPA*

January 26, 1999

BROOKHAVEN HOMES OF LOUISIANA, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 1998

ASSETS

**Current Assets**

Grant Revenue Receivable	\$89,478
<b>TOTAL CURRENT ASSETS</b>	<b>89,478</b>

**Property, Plant, & Equipment**

Autos and Trucks	33,172
Furniture and Equipment	8,094
Accumulated Depreciation	(12,351)
<b>TOTAL PROPERTY, PLANT, &amp; EQUIPMENT</b>	<b>28,915</b>

<b>TOTAL ASSETS</b>	<b>\$118,393</b>
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LIABILITIES

**Current Liabilities**

Bank Overdraft	\$4,901
Accounts Payable	20,256
Accrued Payroll Expenses	16,973
Note Payable	3,661
Delinquent State Taxes Payable	11,232
Delinquent IRS Taxes Payable	105,942
Due to Others	2,400

<b>TOTAL CURRENT LIABILITIES</b>	<b>165,365</b>
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**Long-term Liabilities**

Note Payable	\$9,278
Due to Networks	2,981
Due to Others	466

<b>TOTAL LONG-TERM LIABILITIES</b>	<b>12,725</b>
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<b>TOTAL LIABILITIES</b>	<b>\$178,090</b>
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NET ASSETS (DEFICIT)

Unrestricted	(59,697)
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<b>TOTAL NET ASSETS (DEFICIT)</b>	<b>(59,697)</b>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$118,393</b>
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The accompanying notes are an integral part of this statement.

BROOKHAVEN HOMES OF LOUISIANA, INC.

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 1998

UNRESTRICTED NET ASSETS

Support	
Grant Revenue-ASFC	\$95,893
Grant Revenue-JPHSA	16,331
Grant Revenue-KSFC	9,603
Grant Revenue-OCS	178,374
Grant Revenue-OYD	31,600
Grant Revenue-Unity	246,703
Grant Revenue-OCDD	5,370
Service Revenues	
Client Payments-ASFC	13,013
Client Payments-JPHSA	3,465
<b>TOTAL UNRESTRICTED SUPPORT</b>	<b>600,352</b>

EXPENSES

Program Services	
ASFC	93,884
JPHSA	19,953
KSFC	7,703
OCS	137,504
OYD	14,488
UNITY	253,648
OCDD	3,705
Supporting Services	
Management & General	60,978
<b>TOTAL EXPENSES</b>	<b>591,863</b>

<b>INCREASE IN UNRESTRICTED NET ASSETS (DEFICIT)</b>	<b>8,489</b>
<b>NET ASSETS (DEFICIT) AT BEGINNING OF YEAR, as restated</b>	<b>(68,186)</b>
<b>NET ASSETS (DEFICIT) AT END OF YEAR</b>	<b>(\$59,697)</b>

The accompanying notes are an integral part of this statement.

BROOKHAVEN HOMES OF LOUISIANA, INC

STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 1998

EXPENSES	Program Services ASFC	Program Services JPHSA	Program Services KSFC	Program Services OCS	Program Services OYD	Program Services UNITY	Program Services OCDD	Supporting Services Management and General	Total
Advertising	\$1,172					\$1,331		\$15	\$2,518
Allowances	184			1,404	55	2,275			3,918
Auto and Truck Expense	690			1,527		1,113		1,096	4,426
Bank Fees								2,865	2,865
Clothing and Personal				3,230	234				3,464
Depreciation Expense						574		12,263	12,837
Dietary Foods	179			669		8,246			9,094
Family Payments	42,353	13,050	(2,713)	100,550	6,747	20,519			180,506
Furniture and Equipment Rental	1,295			527		2,967		803	5,592
Housekeeping						2,950			2,950
Insurance	680	570	601	657	571	6,985	579	5,302	15,945
Interest Expense	740	204	396	152	152		51	9,871	9,871
Licenses and Permits									1,695
Meals & Entertainment								5,576	5,576
Miscellaneous	476			130		222		1,556	2,384
Office Expense	730			408		1,878		5,726	9,042
Payroll Taxes	1,394	4	347	1,344		18,441	221		21,751
Penalties								1,970	1,970
Postage	83		4	185	1	484			757
Professional Fees	3,180	2,384	2,384	3,400	2,384	2,384		1,490	17,606
Recreation				1,615		175			1,790
Rent						17,467		10,737	28,204
Repairs and Maintenance	5,801				135	6,109			12,045
Respite Payments		1,632	165			(135)			1,662
Salaries and Wages	17,205	2,109	6,095	16,128	502	149,227	2,854		193,618
Supplies	740			969		8,033		17	10,261
Telephone	14,448					1,661		1,549	17,658
Training and Seminars	625			2,018					2,643
Travel	1,061		124	2,591	3,707			69	7,552
Utilities	848					742		73	1,663
<b>Total</b>	<b>\$93,884</b>	<b>\$19,953</b>	<b>\$7,703</b>	<b>\$137,504</b>	<b>\$14,488</b>	<b>\$253,648</b>	<b>\$3,705</b>	<b>\$60,978</b>	<b>\$591,863</b>

The accompanying notes are an integral part of this statement.

BROOKHAVEN HOMES OF LOUISIANA, INC.

STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 1998

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$8,489
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	12,837
(Increase) decrease in operating assets:	
Grant Revenue Receivable	(12,478)
Due from Officers	3,415
Increase (decrease) in operating liabilities:	
Accounts payable	(2,519)
Payroll taxes payable	(11,474)
Accrued Expenses	1,614
Contract Advances	(4,659)
Other Payables	18,092
Due to Networks	(6,954)
Due to Others	(1,705)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,658

CASH FLOW FROM INVESTING ACTIVITIES

Acquisition of property, plant & equipment	(20,707)
NET CASH USED BY INVESTING ACTIVITIES	(20,707)

CASH FLOW FROM FINANCING ACTIVITIES

Proceeds from note payable	15,660
Principal payments on note payable	(2,721)
NET CASH PROVIDED BY FINANCING ACTIVITIES	12,939
NET INCREASE (DECREASE) IN CASH	(3,110)
CASH AT BEGINNING OF YEAR	(1,791)
CASH AT END OF YEAR	(\$4,901)

SUPPLEMENTAL DISCLOSURES

Interest Paid \$2,197

There were no non-cash investing and financing transactions during 1997.

The accompanying notes are an integral part of this statement.



BROOKHAVEN HOMES OF LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 1998

**1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Activities*

Brookhaven Homes of Louisiana, Inc. (the Organization) was established in Louisiana in 1989 as a non-profit corporation to provide substitute family housing to adults and youths that have severe mental health problems. In addition to those services, the Organization also provides a client assistance program for adults who live independently but need support and case management. The Organization also provides assistance to those who are homeless. The Organization performs these services for individuals through grants from state and federal programs and on a fee for service basis through state and local agencies.

*Basis of Accounting*

The Organization uses the accrual method of accounting and follows the standards of accounting and financial reporting outlined by the American Institute of Certified Public Accountants in its Audit and Accounting Guide, *Audits of Not-for-Profit Organizations*.

*Cash and Cash Equivalents*

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

*Property, Plant and Equipment*

Property and equipment acquired by the Organization are considered to be owned by the Organization. Property and equipment are carried at cost. Depreciation is provided using the straight-line method over estimated useful lives ranging from three for autos to six years for furniture and equipment.

Expenditures for maintenance and repairs are charged to operations as incurred. Expenditures for betterments and major renewals are capitalized. The cost of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal and the resulting gains or losses are recognized.

BROOKHAVEN HOMES OF LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 1998

Income Taxes

The Organization operates as a nonprofit entity and has been granted tax-exempt status by the Internal Revenue Service (IRS) under Section 501(c)(3) of the Internal Revenue Code and has been determined not to be a "private foundation" within the meaning of 509(a) of the Internal Revenue Code. The Organization's exempt status is recognized by the State of Louisiana. Accordingly, no provision has been made in these statements for federal or state income taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

In 1995 the Organization adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Legend for Revenues and Expenditures by Program

ASFC -	LA Department of Health & Hospitals Office of Mental Health Adult Substitute Family Care Services
JPHSA -	Jefferson Parish Human Services Authority Substitute Family Care Services
KSFC -	LA Department of Health & Hospitals Office of Mental Health Adolescent Substitute Family Care Services
OCS -	LA Department of Social Services Office of Community Services
OYD -	LA Department of Public Safety & Corrections Office of Youth Development
UNITY -	Unity for the Homeless Supportive Housing '95 and '96
OCDD -	LA Department of Health & Hospitals Office for Citizens with Developmental Disabilities

BROOKHAVEN HOMES OF LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 1998

**2. PROPERTY, PLANT & EQUIPMENT**

Property and Equipment consist of the following at June 30, 1998:

Automobiles	\$33,172
Furniture and Equipment	<u>8,094</u>
Total Property, Plant & Equipment	41,266
Less accumulated depreciation	<u>(12,351)</u>
Net Property, Plant & Equipment	<u>\$28,915</u>

Depreciation expense for furniture and equipment is charged to management and general expense and depreciation for automobiles is charge to the program related depreciation expense. Depreciation expense totaled \$12,837 for the year ended June 30, 1998.

**3. GRANTS**

The Organization is the recipient of two grants from the State of Louisiana Office of Mental Health awarded for the purpose of developing and operating a substitute family care program to adolescents and adults with chronic mental illnesses. A total of \$105,496 was received under these grants for the year ending June 30, 1998.

The Organization is the recipient of a two grants from the Jefferson Parish Human Services Authority awarded for substitute family care and mentor services provided by the Organization. The amount of those grants received during the year ending June 30, 1998 totaled \$12,585.

The Organization is the recipient of a grant from the Unity for the Homeless awarded for host-family based transitional housing for homeless families and life skills services provided by the Organization. The amount of this grant received during the year ending June 30, 1998 was \$246,703.

BROOKHAVEN HOMES OF LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 1998

The Organization is the recipient of a grant from Office for Citizens with Developmental Disabilities awarded for personal care attendant services provided by the Organization. The amount of the grant received during the year ending June 30, 1998 was \$5,370.

**4. RELATED PARTY TRANSACTIONS**

The Organization has entered into a contract with two of its Board Members to serve as Administrators. These Administrators are employees of the Organization and receive a salary as compensation for their services. The amount of wages paid to the Administrators during the period ending June 30, 1998 totaled \$55,194. The Administrators were reimbursed for expenses incurred in the operations of its programs. During the period ending June 30, 1998, the Administrators received a total of \$20,935 as reimbursement for expenses incurred on behalf of the Organization.

During the normal course of business, the Organization purchases various services and provides reimbursement for expenses to individuals associated with the Board of Directors. As of June 30, 1998 amounts paid to those associated with the Board of Directors totaled \$57,253.

In addition, the Organization is affiliated with a for profit agency, Networks in Community Living, Inc., which is a rehabilitative organization controlled by the Board of Directors of this Organization. Borrowings take place between these two companies in order to finance the short term cash needs of each. As of June 30, 1998 the Organization owed Networks in Community Living, Inc. a total of \$2,981 on a non-interest bearing open account basis.

**5. NOTE PAYABLE**

During July 1997, the Organization entered into a loan agreement with General Motor Acceptance Corporation . This loan agreement bears interest at 9.836% and is payable over a period of forty-eight months. As of June 30, 1998, the balance due was \$12,939 of which \$3,661 is current and \$9,278 is classified as a long-term liability.

BROOKHAVEN HOMES OF LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 1998

Maturity of the note payable for each of the next five years are as follows:

Year ended <u>June 30,</u>	
1999	\$ 3,661
2000	4,038
2001	4,454
2002	786
2003	<u>-0-</u>
Totals	\$ <u>12,939</u>

**6. LIABILITIES-DUE TO OTHERS**

Due to Others represents an outstanding loan agreement with First Family Financial Services. This loan agreement was co-signed by the Administrator of the Organization and the Organization has assumed the payments. This loan agreement bears interest at 26.93% and is payable over a period of thirty-six months. As of June 30, 1998, the balance due to First Financial Services was \$2,866 of which \$2,400 is current and \$466 is classified as a long-term liability.

**7. LONG TERM LEASES**

As of February 10, 1998, the Organization entered into a three-year lease for its program office facility requiring rent of \$6,033 annually. Upon expiration of the lease agreement, the Organization has the right to renew the lease with renegotiated terms.

As of February 1, 1998, the Organization entered into a two-year lease for its office facility requiring rent of \$7,548 in year one and \$7,937 in year two. Upon expiration of the initial lease, the Organization has the right to renew the lease with renegotiated terms otherwise occupancy is on a month-to-month basis. Rent expense for the period ending June 30, 1998 was \$28,204.

BROOKHAVEN HOMES OF LOUISIANA, INC.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 1998

**8. GOING CONCERN**

As shown in the accompanying financial statements, the Organization has an outstanding liability with the Internal Revenue Service for \$105,942 as of June 30, 1998. The liability arises from the Organization's failure to pay payroll taxes during the 1993 and 1994 calendar years, as well as the Organization's failure to file required income tax returns on time. A large portion of the outstanding liability consists of penalty assessments by the Internal Revenue Service. A lien has been recorded to secure payment of these assessments. The organization's ability to pay this outstanding liability is uncertain. These factors create an uncertainty about the Organization's ability to continue as a going concern. Management of the Organization has submitted an Offer in Compromise to the Internal Revenue Service to significantly reduce this tax liability. The Offer in Compromise is being processed. The ability of the Organization to continue as a going concern is dependent on the Organization's ability to reduce and/or refinance its obligation to the Internal Revenue Service. The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.

**9. ECONOMIC DEPENDENCY**

The Organization receives the majority of its revenue from only a few grants and from a few state and locally sponsored agencies. If budget cuts from funding sources are made at the state and local levels, the amount of the funds the Organization receives could be significantly reduced, with resultant adverse impact on revenues and operations.

Management is not aware of any plans on the part of its current funding sources to significantly reduce payments to the Organization.

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Certified Public Accountant, AIC

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

Business

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Taxes

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Finance

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Estates

To the Board of Directors  
Brookhaven Homes of Louisiana, Inc.

I have audited the financial statements of Brookhaven Homes of Louisiana, Inc. (Brookhaven) (a nonprofit organization) as of and for the year ended June 30, 1998, and have issued my report thereon dated January 26, 1999. I conducted my 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 Brookhaven's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 1997-1, 1997-2 and 1997-3.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Brookhaven's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions

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involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect the Organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 1997-3.

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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered material weaknesses. However, I believe that *none of the reportable conditions described above is a material weakness.*

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

*Brian E Adorno, CPA, APC*

New Orleans, Louisiana  
January 26, 1999



**BROOKHAVEN HOMES OF LOUISIANA, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Year Ended June 30, 1998**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Disbursements/ Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Pass-Through from Unity for the Homeless:		
Supportive Housing '95 and '96	14.235	253,074
<u>U.S. Department of Health and Human Services</u>		
Pass-through from State Department of Social Services:		
<i>Office of Management and Finance</i>		
Title IV-B	93.645	22,613
Title IV-E	93.658	<u>75,703</u>
<b>TOTAL</b>		<b><u>\$351,390</u></b>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Brookhaven Homes of Louisiana, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Business

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Taxes

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Finance

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Estates

To the Board of Directors of  
Brookhaven Homes of Louisiana, Inc.

### Compliance

I have audited the compliance of Brookhaven Homes of Louisiana, Inc. (Brookhaven) (a nonprofit organization) 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 June 30, 1998. Brookhaven'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 Brookhaven's management. My responsibility is to express an opinion on Brookhaven's compliance based on my audit.

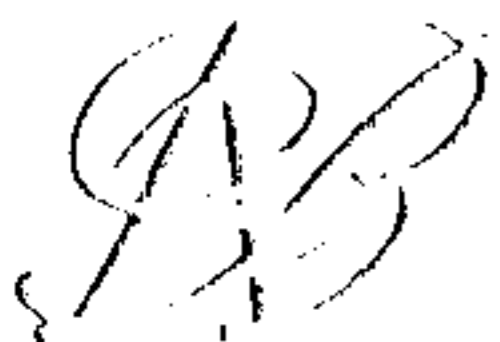
I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 Brookhaven's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Brookhaven's compliance with those requirements.

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As described in item 1997-3 in the accompanying schedule of findings and questioned costs, Brookhaven did not comply with the requirements regarding matching of federal funds that are applicable to its Unity for the Homeless Supportive Housing '95 and '96. Compliance with such requirements is necessary, in my opinion, for Brookhaven to comply with requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, Brookhaven 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 June 30, 1998.

### Internal Control Over Compliance

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

I noted certain matters involving internal control over compliance and its operations that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgement, could adversely affect Brookhaven's ability to administer major federal contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 1997-3.

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. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I 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.

*Brian E Adorno, CPA, APC*

New Orleans, Louisiana  
January 26, 1999

**BROOKHAVEN HOMES OF LOUISIANA, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 1998**

I have audited the financial statements of Brookhaven Homes of Louisiana, Inc. as of and for the year ended June 30, 1998, and have issued my report thereon dated January 26, 1999. I conducted my 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 and the provisions of OMB Circular A-133. My audit of the financial statements as of June 30, 1998 resulted in an unqualified opinion.

**Section I Summary of Auditor's Reports**

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses  Yes  No      Reportable Conditions  Yes  No

Compliance

Compliance Material to Financial Statements  Yes  No

b. Federal Awards

Internal Control

Material Weaknesses  Yes  No      Reportable Conditions  Yes  No

Type of Opinion On Compliance  
For Major Programs

Unqualified       Qualified   
Disclaimer       Adverse

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?  Yes  No

c. Identification of Major Programs:

CFDA Number(s)	Name of Federal Program (or Cluster)
14.235	U S Department of Housing and Urban Development Unity for the Homeless Supportive Housing 95 and 96

Dollar threshold used to distinguish between Type A and Type B Programs: \$100,000 or 3%

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133? \_\_\_ Yes X No

## **Section II Financial Statement Audit Findings**

### *1997-1 Noncompliance with State Law*

In order to comply with state law, the audit reporting package of Brookhaven Homes of Louisiana, Inc. must be submitted to the Legislative Auditor within six months of the close of the Organization's fiscal year. The Organization failed to comply with this requirement. Management was unaware that they were in receipt of pass-through federal funds from the Louisiana Department of Social Services and inadvertently unaware the Organization expended in excess of \$300,000 of those funds which required a single audit as described in OMB Circular A-133. Upon confirmation of grant revenue the auditor became aware of the additional federal funds and immediately began the necessary auditing procedures required by a single audit. However, due to the late receipt of the confirmation, the auditor was unable to complete the audit within the required time. Management intends to implement a plan for determining federal fund receipts received and corresponding disbursements expended during the Organization's fiscal year and informing the auditor upon engagement approval to ensure compliance in future years with timely audit completion.

### *1997-2 Outstanding Payroll Tax Liabilities*

The Organization has an outstanding liability with the State of Louisiana Departments of Revenue and Labor for partial unpaid withholdings and state unemployment taxes from payroll for the 1997 and 1998 calendar years. Management chose to pay delinquent state payroll taxes from earlier years during the audit period. Management was unable to pay these current taxes in a timely fashion due to poor cash flow. The Organization has instituted a method of repayment for these taxes while intending to remain current on any liabilities incurred.

### *1997-3 Federal Cost Reimbursement Program*

As discussed in more detail below, the Organization failed to match federally funded program operating costs and has incorrectly completed the required reports under Supportive Housing Program regulations. The effect of this noncompliance is the organization may have received excessive reimbursements of federal funds from the pass-through entity, Unity for the Homeless (Unity). Management has been instructed on the costs eligible for reimbursement and the proper filing of these reports. Management intends to address this issue with Unity, and, as necessary, match these funds and accurately complete the required reports.

### **Section III Federal Award Findings and Questioned Costs**

#### *1997-3 Noncompliance with Major program requirements*

For its major program, the Organization is required under the Supportive Housing Program of the Department of Housing and Urban Development regulations for assisted living to match a certain percentage of the federally funded program operating costs, as defined in the regulations, from either private funds or other third party sources. This Organization has failed to provide the required match for its grant of awards from its own funds, and has incorrectly completed the required reports which were submitted to the pass-through entity, Unity for the Homeless (Unity). The effect of this non-compliance is that the Organization may have received excessive reimbursements of federal funds from the pass-through entity during the audit period. The cause of this condition is the apparent failure of Unity to administer and monitor the monthly and annual financial reports submitted by the Organization for cost reimbursement. In fact, Unity has apparently administered the grants to the Organization as payments to a contractor rather than as a cost reimbursement program. Instruction has been provided to the Organization outlining the costs eligible for both supportive services and operating cost reimbursements. Recommendations were made for the Organization to address this issue with the administering pass-through entity, Unity, to address their respective financial responsibilities under the grant agreements.

Amount of Questioned Costs for Excessive Reimbursement of Program Operating Costs	\$36,246
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For the period ending June 30, 1998, except as described in the above paragraph, I have not identified any other reportable conditions, material weaknesses, or instances of noncompliance related to the financial statements of Brookhaven Homes of Louisiana, Inc. that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards* that are required to be reported in accordance with Circular A-133, Section .510(a).

**BROOKHAVEN HOMES OF LOUISIANA, INC.**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**For the Year Ended June 30, 1998**

**Section I Internal Control and Compliance Material to the Financial Statements**

No findings had been reported.

**Section II Internal Control and Compliance Material to Federal Awards**

No findings had been reported.

**Section III Management Letter**

Cash Management

All invoices should be signed by authorized officer for documentation of approval of the transaction prior to payment.	Unresolved – See Management Letter Suggestion 1997 – 1
Treasurer should require that all service providers or other vendors of the Organization provide an invoice or statement for services rendered prior to payment being made.	Resolved
Salary increases should be approved and documented by a member of the Board of Directors prior to payment.	Resolved

Annual Budget

Adopt formal budget of proposed revenues and expenses for each program for each year.	Resolved
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Payroll Taxes

Pay all payroll taxes when due and institute a method of repayment of back taxes for the outstanding liabilities.	Unresolved – See Findings and Questioned Costs Suggestion 1997 – 2
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Organizational Structure

Board of Directors to remain closely involved in the financial affairs of the Organization.	Partially resolved – See Management Letter Suggestion 1997 – 3
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CPA

Certified Public  
Accountant, A.C.

# BRIAN E. ADORNO

3053 Mercedes Boulevard < First Floor  
New Orleans, Louisiana 70114

Phone: (504) 227-2280  
Fax: (504) 227-2290

January 26, 1999

To the Board of Directors  
Brookhaven Homes of Louisiana, Inc.  
New Orleans, Louisiana

Business

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Taxes

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Finance

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Estates

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

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls and operational efficiency. (I previously reported on the Organization's internal control structure in my report dated January 26, 1999.) This letter does not affect my report dated January 26, 1999 on the financial statements of Brookhaven Homes of Louisiana, Inc.

I will review the status of these comments during my next audit engagement. I have already discussed many of these comments and suggestions with the appropriate members of management. I 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. My comments are summarized as follows:

## *1997-1 Cash Management*

### Observation

While testing cash disbursements, I noted that supporting invoices were not always signed for approval for payment by the treasurer or other authorized officers.

### Recommendation

All invoices should be signed by the authorized officer for documentation of approval of the transaction prior to payment.

Member:

Louisiana Bar Association

American Institute of  
Certified Public  
Accountants

Louisiana Society of  
Certified Public  
Accountants



*1997-2 Organizational Structure*

Observation

The size of the Organizations' administrative staff precludes certain basic internal controls that would be preferred if the office were large enough to provide optimum segregation of duties.

Recommendation

This situation dictates that the Board of Directors remain closely involved in the financial affairs of the Organization to provide cash management, oversight and independent review functions. Minutes of all Board of Directors meetings should be thoroughly documented indicating director involvement in daily affairs.

*1997-3 Accountable plan*

Observation

While testing cash disbursements, I note that invoices for vehicle expenses of officers and employees were paid in accordance with a non-accountable plan, and outdated mileage rates were also selectively used.

Recommendation

Management should institute a vehicle reimbursement policy in accordance with an accountable plan according to current Internal Revenue Service regulations.

*1997-4 Accounting System Year 2000 Compliance*

Observation

It was noted that the Organization is using an older version of a generic accounting software program from a major software vendor, which is not Year 2000 (Y2K) compliant. It was also noted that although computer hardware has been recently purchased, it may not be Y2K compliant.

Recommendation

Management should acquire the latest version of their accounting software program which is Y2K compliant and should inquire of the hardware manufacturer as to its compliance with the Year 2000 processing function.

I wish to thank Mrs. Tanna Barthelemy and Mrs. Vanessa Carter for their support and assistance during my audit.

Board of Directors  
January 26, 1999  
Page 3

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

*Brian E. Adorno, CPA*  
A Professional Corporation

**BROOKHAVEN HOMES OF LOUISIANA, INC.**  
**MANAGEMENT'S CORRECTIVE ACTION PLAN**  
**For the Year Ended June 30, 1998**

**Section I -- Internal Control and Compliance Material to the Financial Statement**

*1997-1 Non-compliance with State Law*

Suggestion: Management should track federal funds received and expended during the fiscal year to inform the auditor upon engagement approval to ensure compliance with single audit requirements in a timely fashion.

Action: Management is tracking all federal funds received and expended and intends to notify the auditor upon engagement approval of monies expended to ensure compliance in future years with timely audit completion.

*1997-2 Outstanding payroll tax liabilities*

Suggestion: Management should institute a method of repayment of outstanding payroll tax liabilities.

Action: Management intends to institute a method of repayment off all outstanding payroll tax liabilities and remain current on any liabilities incurred in the future.

**Section II -- Internal Control and Compliance Material to Federal Awards**

*1997-3 Non-compliance with major program requirements*

Suggestion: Organization must match its federally funded grants according to Supportive Housing regulations and correctly complete the required reports.

Action: Management intends to match all federal funds in accordance with Supportive Housing regulations. The Organization has been instructed on the proper completion of the required reports and intends to correctly complete them in the future.

**Section III -- Management Letter**

*1997-1 Cash Management*

Suggestion: Invoices should be signed by an authorized officer for documentation of approval of the transaction prior to payment

Action: An authorized officer will approve all invoices prior to payment.

### *1997-2 Organizational Structure*

Suggestion: Board of Directors should remain closely involved in the financial affairs of the Organization

Action: Board of Directors intends to remain closely involved in the affairs of the Organization.

### *1997-3 Accountable Plan*

Suggestion: A reimbursement policy should be instituted in accordance with an accountable plan according to IRS regulations

Action: Management has begun to implement a method of repayment in accordance with an accountable plan and is requiring all employees to submit a reimbursement form before payment shall be made.

### *1997-4 Accounting System's Year 2000 Compliance*

Suggestion: Management should acquire any necessary updates to ensure that hardware and software is Year 2000 compliant.

Action: Management intends to acquire any necessary updates to ensure that the accounting system is Year 2000 compliant.