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KINGSLEY HOUSE, INC.
(A Nonprofit Organization)

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

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.

Release Date JAN 13 1999

KINGSLEY HOUSE, INC.
YEAR ENDED JUNE 30, 1998

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A Corporation of Certified Public Accountants

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

To the Board of Directors
Kingsley House, Inc.
New Orleans, Louisiana

We have audited the accompanying balance sheet of Kingsley House, Inc. (a nonprofit organization) as of June 30, 1998, and the related statements of revenues, expenses and other changes in net assets, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits Of States, Local Governments Nonprofit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with Government Auditing Standards, we have also issued a report dated December 16, 1998, on our consideration of Kingsley House, Inc.'s internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants.

Bernard & Frank

Metairie, Louisiana
December 16, 1998

KINGSLEY HOUSE, INC.

BALANCE SHEET

June 30, 1998

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
ASSETS:				
Cash and cash equivalents	\$ 135,140	\$ 159,328	\$ -	\$ 294,468
Investments	1,597,439			1,597,439
Accounts receivable				
Unconditional promises to give		908,526		908,526
Government contracts	353,363	-		353,363
Other	1,354	-		1,354
Prepaid expenses	51,584			51,584
Cash held for acquisition of property and donor restricted purposes		122,514		122,514
Long-term investments		404,396	1,500	405,896
Land, building, and equipment, net	<u>1,283,769</u>	<u>1,685,872</u>	<u>-</u>	<u>2,969,641</u>
TOTAL ASSETS	<u>\$ 3,422,649</u>	<u>\$ 3,280,636</u>	<u>\$ 1,500</u>	<u>\$ 6,704,785</u>
LIABILITIES AND NET ASSETS				
Accounts payable	<u>\$ 120,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,424</u>
TOTAL LIABILITIES	<u>\$ 120,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,424</u>
Net assets:				
Unrestricted	\$ 1,672,579	\$ -	\$ -	\$ 1,672,579
Board restricted	<u>1,629,646</u>	<u>-</u>	<u>-</u>	<u>1,629,646</u>
Total unrestricted	\$ 3,302,225	\$ -	\$ -	\$ 3,302,225
Temporarily restricted		3,280,636		3,280,636
Permanently restricted	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>1,500</u>
TOTAL NET ASSETS	<u>\$ 3,302,225</u>	<u>\$ 3,280,636</u>	<u>\$ 1,500</u>	<u>\$ 6,584,361</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,422,649</u>	<u>\$ 3,280,636</u>	<u>\$ 1,500</u>	<u>\$ 6,704,785</u>

See accompanying Notes To Financial Statements.

KINGSLEY HOUSE, INC.

STATEMENT OF REVENUES, EXPENSES AND OTHER
CHANGES IN NET ASSETS

For The Year Ended June 30, 1998

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 277,422	\$ 213,633	\$ -	\$ 491,055
Federal financial assistance and other state and federal revenue	2,197,497	76,020		2,273,517
United Way funding for next year		610,947		610,947
Realized and unrealized income on investments	323,361	22,700		346,061
Program fees	14,731			14,731
Self support	48,664			48,664
Rental income	2,264			2,264
Other	15,334			15,334
Net assets released from restrictions				
City awards for capital project				-
United Way funding for the year	595,293	(595,293)		-
Restrictions satisfied by payments	80,510	(80,510)	-	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>\$ 3,555,076</u>	<u>\$ 247,497</u>	<u>\$ -</u>	<u>\$ 3,802,573</u>
EXPENSES				
Program services				
Pre-school day care	\$ 1,064,258	\$ -	\$ -	\$ 1,064,258
School age day care/youth	343,918			343,918
Adult day health care	437,963			437,963
Parent-child center	75,134			75,134
Family preservation	331,963			331,963
F.A.S.T./family support	185,791			185,791
Family-to-family/STRETCH	263,686			263,686
Supporting services				
Management and general	497,157			497,157
Fund-raising	6,116	-	-	6,116
TOTAL EXPENSES	<u>\$ 3,205,986</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,205,986</u>
INCREASE IN NET ASSETS	<u>\$ 349,090</u>	<u>\$ 247,497</u>	<u>\$ -</u>	<u>\$ 596,587</u>
NET ASSETS AT BEGINNING OF YEAR	<u>2,953,135</u>	<u>3,033,139</u>	<u>\$ 1,500</u>	<u>\$ 5,987,774</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,302,225</u>	<u>\$ 3,280,636</u>	<u>\$ 1,500</u>	<u>\$ 6,584,361</u>

See accompanying Notes To Financial Statements.

KINGSLEY HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 1998

	Program Services				
	Pre-School Day Care	School Age Day Care/Youth	Adult Day Health Care	Parent Child Center	Family Presevation
Compensation and related expenses					
Compensation	\$ 591,228	\$ 155,802	\$ 239,459	\$ 45,011	\$ 233,147
Employee benefits					
Medical	30,256	3,799	12,770	3,402	14,756
Retirement	30,634	5,033	12,698	2,672	10,629
Other	3,212	402	1,214	255	1,220
Payroll taxes	47,801	13,325	18,956	3,523	17,907
	<u>\$ 703,131</u>	<u>\$ 178,361</u>	<u>\$ 285,097</u>	<u>\$ 54,863</u>	<u>\$ 277,659</u>
Awards and grants	-				
Conferences, conventions, and meetings	6,337	1,227	1,239	155	2,995
Food	89,623	18,450	40,291	5	17
Grant equipment purchases	10,558	5,463	389		619
Insurance					
Property and casualty	16,690	6,861	5,817	1,865	4,027
Vehicles	5,151		4,577	362	
Workers' compensation	9,907	4,557	5,230	391	1,479
Membership dues	1,689	638	1,385	635	1,991
Occupancy	-				
Electricity	27,518	9,486	4,985	1,340	1,077
Gas	2,170	1,226	506	132	106
Maintenance and repairs	34,506	7,454	2,920	558	644
Water and sewer	6,667	3,068	1,593	438	352
Postage	528	94	133	283	217
Printing and publications	1,180	272	435	63	327
Professional fees	13,013	22,245	31,999	1,079	3,469
Rental and maintenance of equipment	4,655	806	589	105	550
Supplies		0			
Kitchen	8,846	1,235	3,090	-	-
Office	3,499	1,993	2,305	1,066	2,455
Recreation, crafts	21,263	10,970	5,146	4,900	18
Other	23,013	6,966	4,528	1,429	1,888
Telephone	1,716	1,283	2,191	754	7,043
Travel	10,940	12,371	21,637	1,222	17,375
Specific assistance to individuals	3,125	1,892	2,884	-	3,731
Other	9,013	3,463	1,096	3	329
	<u>\$ 1,014,738</u>	<u>\$ 300,381</u>	<u>\$ 430,062</u>	<u>\$ 71,648</u>	<u>\$ 328,368</u>
DEPRECIATION					
Depreciation expense	49,520	43,537	7,901	3,486	3,595
	<u>\$ 1,064,258</u>	<u>\$ 343,918</u>	<u>\$ 437,963</u>	<u>\$ 75,134</u>	<u>\$ 331,963</u>

See accompanying Notes To Financial Statements.

		Supporting Services		Total
F.A.S.T. Family Support	Family-To- Family/ STRETCH	Management and General	Fund Raising	
\$ 131,827	\$ 166,905	\$ 317,330	\$ 3,701	\$ 1,884,410
7,811	7,464	12,210		92,468
2,830	4,873	18,197		87,566
661	767	11,083		18,814
10,619	13,614	24,386	37	150,168
\$ 153,748	\$ 193,623	\$ 383,206	\$ 3,738	\$ 2,233,426
		541		541
936	1,652	6,894		21,435
8	12,520	19		160,933
-	908	1,180		19,117
121	4,652	2,708	367	43,108
	6,954	793		17,837
915	1,332	2,671		26,482
56	151	2,181		8,726
2,151	6,401	2,724		55,682
212	335	246		4,933
6,047	2,873	2,032		57,034
437	2,143	1,015		15,713
402	3	3,289	80	5,029
110	87	6,294		8,768
3,700	739		1,535	77,779
-				
1,287	142	3,806		11,940
-				
	11,499	1		24,671
2,769	3,389	4,166	46	21,688
0	9,008	44		51,349
584	963	10,777	164	50,312
3,277	475	3,492	186	20,417
8,012	2,748	5,663		79,968
650		181		12,463
369	1,089	13,556	-	28,918
\$ 185,791	\$ 263,686	\$ 457,479	\$ 6,116	\$ 3,058,269
-	-	39,678	-	147,717
\$ 185,791	\$ 263,686	\$ 497,157	\$ 6,116	\$ 3,205,986

KINGSLEY HOUSE, INC.

STATEMENT OF CASH FLOWS
JUNE 30, 1998

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 596,587
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	147,717
Unrealized gain on investments	(255,047)
Gain on sale of investments	(163)
Uncollectible provision	(8,333)
(Increase) decrease in operating assets:	
Accounts receivable	(6,860)
United Way funding for next year	(15,654)
Prepaid expenses	(7,535)
Increase (decrease) in operating liabilities:	
Accounts payable	29,469
Contributions restricted for long-term purposes:	
Contributions restricted to capital campaign	(298,304)
Amortization of discount on unconditional promises to give	<u>(76,343)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 105,534</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of long-term investments	\$ (196,173)
Proceeds from sales of long-term investments	102,421
Purchases of investments	(229,464)
Proceeds from sales of investments	224,671
Payments for building and equipment	<u>(316,134)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>\$ (414,679)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Capital Campaign collections	\$ 597,301
Cash held for acquisition of property	<u>(96,100)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>\$ 501,201</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

\$ 192,056

BEGINNING CASH AND CASH EQUIVALENTS

102,412

ENDING CASH AND CASH EQUIVALENTS

\$ 294,468

See accompanying Notes to Financial Statements.

KINGSLEY HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998

Note 1. Summary of Significant Accounting Policies

Nature of activities

Kingsley House, Inc. is a United Way agency serving the New Orleans area. In addition the Association obtains funds from governmental grants and donor contributions. Approximately 58% and 16% of the Association's revenues for the year ended June 30, 1998 came from government programs and allocations from the United Way.

Kingsley House, Inc. changed its name during the year. The Association was formally named Kingsley House and New Orleans Day Nursery Association.

Programs provided by the Association are as follows:

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

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

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

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

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

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

KINGSLEY HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998

Note 1. Summary of Significant Accounting Policies (Continued)

Nature of Activities (Continued)

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

Basis of Accounting

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

Investment Securities

The Association has adopted Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-For-Profit Organizations." Under SFAS No. 124, the Association is required to report investments with readily determinable fair values and all investments in debt securities at fair value. Unrealized gains and losses for the year ended June 30, 1998 are included in the statement of change in net assets.

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

KINGSLEY HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998

Note 1. Summary of Significant Accounting Policies (Continued)

Contributions

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

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

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

Donated Services

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

KINGSLEY HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998

Note 1. Summary of Significant Accounting Policies (Continued)

Expense Allocation

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

Income Tax Status

The Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Association qualifies for the charitable contribution deduction under Section 190(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Estimates

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

KINGSLEY HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

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

Land, Building and Equipment

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

Donated Assets

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

KINGSLEY HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998

Note 1. Summary of Significant Accounting Policies (Continued)

Designation of Unrestricted Net Assets

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

Note 2. Temporarily Restricted Net Assets

Substantially all of the restrictions on net assets at June 30, 1998, relate to funds raised through the Capital Campaign, United Way funding for the next year and prior years funds restricted to purchasing or improving equipment and facilities.

The Association solicited contributions to renovate the existing facilities through the Capital Campaign. The projected cost of the renovation project is \$4,829,941. At June 30, 1998, the Capital Campaign has raised \$5,137,541 in promises to give. At June 30, 1998, \$2,896,193 has been expended for the renovation project.

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

	<u>Amount</u>
United Way funding for next year	\$ 610,947
Renovation of present facility, capital campaign	2,603,267
Purchase or improvement of equipment and facilities	3,741
For subsequent periods	<u>61,884</u>
	<u>\$3,279,839</u>

KINGSLEY HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998

Note 3. Promises To Give

Unconditional promises to give consists of the following:

	<u>Amount</u>
Restricted to renovation of facility	\$ 342,720
United Way services	<u>610,947</u>
Gross unconditional promises to give	\$ <u>953,667</u>
Less: Unamortized discount	\$ 42,255
Allowance for uncollectible promises	<u>2,886</u>
	<u>\$ 45,141</u>
Net unconditional promises to give	<u>\$ 908,526</u>

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

	<u>Amount</u>
Allocation for next fiscal year	
General allocation	\$ 576,515
Donor designation	22,769
Combined Federal Campaign	<u>11,663</u>
	<u>\$ 610,947</u>

KINGSLEY HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998

Note 4. Investments

The following is a summary of investments at June 30, 1998 for various board designated purposes. Short term investments are stated at fair value.

	<u>Cost or Donated Value</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money funds	\$ 97,414	\$ 97,414	\$ --
Bonds and notes	25,340	25,250	(90)
Common stocks	<u>790,874</u>	<u>1,474,775</u>	<u>683,901</u>
	<u>\$ 913,628</u>	<u>\$1,597,439</u>	<u>\$683,811</u>

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

	<u>Cost or Donated Value</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money funds	\$ 382,447	\$ 382,447	\$ --
Common stock	<u>17,994</u>	<u>23,449</u>	<u>5,455</u>
	<u>\$ 400,441</u>	<u>\$ 405,946</u>	<u>\$ 5,455</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Investment income	\$ 74,452	\$ 16,400	\$ 90,852
Net realized and unrealized gains (losses)	<u>248,909</u>	<u>6,300</u>	<u>255,209</u>
Total investment return	<u>\$323,361</u>	<u>\$22,700</u>	<u>\$346,061</u>

KINGSLEY HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998

Note 5. Land, Building and Equipment

At June 30, 1998, the costs and related accumulated depreciation of land, building and equipment consisted of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Depreciation Annual Rates</u>
Land	\$ 75,000	\$ --	\$ 75,000	--
Buildings	4,050,138	1,520,992	2,529,146	4 percent
Construction in Progress	181,887	--	181,887	
Improvements	73,570	51,397	22,173	4-10 percent
Transportation equipment	89,874	46,392	43,482	20-33 percent
Furniture, fixtures and equipment	<u>306,583</u>	<u>188,630</u>	<u>117,953</u>	12-20 percent
	<u>\$4,777,052</u>	<u>\$1,807,411</u>	<u>\$2,969,641</u>	

Note 6. Leases

The Organization leases a service facility under the terms of an annual renewal lease agreement accounted for as an operating lease requiring monthly payments of \$350. Lease expense for the year ended June 30, 1998 was \$4,200 for lease payments.

Note 7. Rental Income

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

Rental income of \$5,137, less \$2,873 of rental expenses, was recognized during the year. The leases are with other not-for-profit organizations whose missions are related to the mission of Kingsley House, Inc.

KINGSLEY HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998

Note 8. Retirement Plan

The Agency maintains a noncontributory defined contribution retirement plan for employees who have attained age 21 and have completed two years of service. Employees receive a 100% vested interest in all contributions by the Agency on their behalf. Contributions are based on 4% of plan participants' salaries up to \$9,000 and 8% thereafter. Total retirement plan expense was \$87,583 for the year ended June 30, 1998. The Agency funds the retirement plan cost accrued for the year.

Note 9. Contingencies

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

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

At June 30, 1998, the Organization had approximately \$132,266 in cash deposits in major banks in excess of the \$100,000 limit insured by the Federal Deposit Insurance Corporation. The cash was subsequently spread over several banks in amounts below the insured limits, therefore, the Organization's loss exposure is minimal.

SUPPLEMENTARY INFORMATION

Bernard & Franks
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INDEPENDENT AUDITOR'S REPORT ON
THE SUPPLEMENTARY INFORMATION

To the Board of Directors
Kingsley House, Inc.
New Orleans, Louisiana

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion market "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bernard & Franks

Metairie, Louisiana
December 16, 1998

KINGSLEY HOUSE, INC
SCHEDULE OF SUPPORT, REVENUES AND EXPENSES
IN ACCORDANCE WITH UNITED WAY REQUIREMENTS
(UNAUDITED)
For The Year Ended June 30, 1998

	<u>Agency Total</u>	<u>Supporting Services Management and General</u>	<u>Building Improvement Fund Drive</u>	<u>Total Program Services</u>
REVENUE:				
Board Generated Self Support	\$ 550,655	\$ -	\$ 213,630	\$ 326,089
Client Generated Self Support	14,731	-		14,731
Governmental Grants/Contracts	2,273,517	-	76,024	2,121,473
Other revenue	362,905	255,047	22,700	85,158
TOTAL SELF-GENERATED REVENUE	\$ 3,201,808	\$ 255,047	\$ 312,354	\$ 2,547,451
United Way Designation	17,935	8,703	-	9,232
CFC Designations	8,326	8,326	-	-
TOTAL REVENUE	\$ 3,228,069	\$ 272,076	\$ 312,354	\$ 2,556,683
United Way Allocation	569,786	-	-	569,786
GRAND TOTAL REVENUE	\$ 3,797,855	\$ 272,076	\$ 312,354	\$ 3,126,469
EXPENSES:				
Compensation Expenses	\$ 2,259,908	\$ 385,877	\$ 3,738	\$ 1,870,293
Occupancy Expenses	176,470	8,725	367	167,378
Travel and Transportation	97,012	5,663		91,349
Specific Assistance	12,463	181		12,282
Board Generated Self Support	12,947	10,936	2,011	-
Other Direct Program Expenses	491,288	55,853		435,435
Fixed Assets	19,117	1,180	-	17,937
GRAND TOTAL EXPENSES	\$ 3,069,205	\$ 468,415	\$ 6,116	\$ 2,594,674
NET DIFFERENCE	\$ 728,650	\$ (196,339)	\$ 306,238	\$ 531,795
Depreciation	\$ 147,717	\$ 39,678	\$ -	\$ 108,039
Total Direct Program Expenses				
Percentage of Total Program Expenses				
Distribution of M&G Expenses				
Grand Total Program Expenses				

Program Services

Pre-School Day Care	School Age Day Care/Youth	Adult Day Health Care	Parent Child Center	Family Presevation	F.A.S.T. Family Support	Family-To- Family/ STRETCH
\$ 57,760	\$ 52,382	\$ 26,214	\$ 20,000	\$ 20	\$ -	\$ 169,713
	13,440	1,291				
937,619	94,425	436,346	50,408	316,393	185,811	100,471
62,794	20,411	9,440	-	(7,487)	-	-
<u>\$ 1,058,173</u>	<u>\$ 180,658</u>	<u>\$ 473,291</u>	<u>\$ 70,408</u>	<u>\$ 308,926</u>	<u>\$ 185,811</u>	<u>\$ 270,184</u>
1,000	2,616	5,616	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 1,059,173</u>	<u>\$ 183,274</u>	<u>\$ 478,907</u>	<u>\$ 70,408</u>	<u>\$ 308,926</u>	<u>\$ 185,811</u>	<u>\$ 270,184</u>
197,853	188,853	53,832	59,248	70,000	-	-
<u>\$ 1,257,026</u>	<u>\$ 372,127</u>	<u>\$ 532,739</u>	<u>\$ 129,656</u>	<u>\$ 378,926</u>	<u>\$ 185,811</u>	<u>\$ 270,184</u>
\$ 713,038	\$ 182,918	\$ 290,327	\$ 55,254	\$ 279,138	\$ 154,663	\$ 194,955
87,551	28,095	15,821	4,333	6,206	8,968	16,404
16,091	12,371	26,214	1,584	17,375	8,012	9,702
3,125	1,892	2,884	-	3,731	650	-
184,375	69,642	94,427	10,477	21,299	13,498	41,717
10,558	5,463	389	-	619	-	908
<u>\$ 1,014,738</u>	<u>\$ 300,381</u>	<u>\$ 430,062</u>	<u>\$ 71,648</u>	<u>\$ 328,368</u>	<u>\$ 185,791</u>	<u>\$ 263,686</u>
<u>\$ 242,288</u>	<u>\$ 71,746</u>	<u>\$ 102,677</u>	<u>\$ 58,008</u>	<u>\$ 50,558</u>	<u>\$ 20</u>	<u>\$ 6,498</u>
<u>\$ 49,520</u>	<u>\$ 43,537</u>	<u>\$ 7,901</u>	<u>\$ 3,486</u>	<u>\$ 3,595</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 1,014,738</u>	<u>\$ 300,381</u>	<u>\$ 430,062</u>	<u>\$ 71,648</u>	<u>\$ 328,368</u>	<u>\$ 185,791</u>	<u>\$ 263,686</u>
39.11%	11.58%	16.57%	2.76%	12.66%	7.16%	10.16%
<u>\$ 242,288</u>	<u>\$ 71,746</u>	<u>\$ 102,677</u>	<u>\$ 17,120</u>	<u>\$ 7,413</u>	<u>\$ 27,173</u>	<u>\$ -</u>
<u>\$ 1,257,026</u>	<u>\$ 372,127</u>	<u>\$ 532,739</u>	<u>\$ 88,768</u>	<u>\$ 335,781</u>	<u>\$ 212,964</u>	<u>\$ 263,686</u>

KINGSLEY HOUSE, INC.

SCHEDULE OF SUPPORT, REVENUE AND EXPENSES
IN ACCORDANCE WITH UNITED WAY REQUIREMENTS
(Unaudited)
YEAR ENDED JUNE 30, 1998

ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES

The F.A.S.T. and Family Support Programs are funded by contracts with the State of Louisiana in which the terms of the contracts specify the management and general expense allocation. The remaining management and general expenses were allocated to the remaining programs based on its ratio of expenses to total expenses for all programs. The Family-To-Family/Family STRETCH program included management and general in the program services expenses.

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

Reconciliation of total revenues is as follows:

Total Revenues, gains and other support per statement of revenue, expenses, and other changes in net assets	\$3,802,573
United Way Funding for the year	595,293
United Way Funding for next year	(610,947)
Self support expenses	<u>10,936</u>
	<u>\$3,797,855</u>

In accordance with generally accepted accounting principles, \$255,047 of unrealized appreciation on investments is included in other revenues:

Reconciliation of total expenses is as follows:

Total Expenses per statement of support, revenue and expenses and changes in fund balances	\$3,205,986
Depreciation	(147,717)
Self support expenses	<u>10,936</u>
	<u>\$3,069,205</u>

KINGSLEY HOUSE, INC.

SCHEDULE OF SUPPORT, REVENUE AND EXPENSES
IN ACCORDANCE WITH UNITED WAY REQUIREMENTS

(Unaudited)

(CONTINUED)

YEAR ENDED JUNE 30, 1998

PRE-SCHOOL DAY CARE PROGRAM

The Pre-School Day Care Program includes in revenues grant funds from Total Community Action in the amount of \$30,345 which were restricted to the purchase of furnishings, equipment and building improvements. These expenditures were capitalized and not included in the expenses on the schedule.

FAMILY-TO-FAMILY/STRETCH PROGRAM

The Family-to-Family/Stretch Program included in governmental grants revenues \$2,698 which were restricted to the purchase of equipment and building improvements. These expenditures were capitalized and not included in the expenses on the schedule.

KINGSLEY HOUSE, INC.

SCHEDULE OF GOVERNMENTAL GRANTS AND CONTRACTS
FOR THE YEAR ENDED JUNE 30, 1998

	<u>Total Community Action Pre-School</u>	<u>State Food Pre-School</u>	<u>Criminal Justice</u>	<u>Louisiana State Capital Outlay</u>	<u>State Food Youth</u>	<u>SADC Vendor Program</u>
REVENUES						
Federal financial assistance and other state and federal revenue	\$ <u>841,393</u>	\$ <u>107,726</u>	\$ <u>27,339</u>	\$ <u>64,520</u>	\$ <u>21,726</u>	\$ <u>2,676</u>
EXPENSES						
Compensation and related	\$ 641,598	\$ 23,523	\$ 4,723	\$ --	\$ 7,575	\$ --
Professional	6,168	--	17,056	--	--	--
Supplies	56,038	83,317	3,101	--	1,235	--
Occupancy	64,115	--	2,387	--	--	--
Travel	15,212	--	72	--	--	--
Specific assistance	3,125	--	--	--	--	--
Other	26,173	1,509	--	--	18,516	2,676
Renovations and furnishings	22,058	--	--	64,520	--	--
Management and general	--	--	--	--	--	--
TOTAL EXPENSES	\$ <u>834,487</u>	\$ <u>108,348</u>	\$ <u>27,339</u>	\$ <u>64,520</u>	\$ <u>27,326</u>	\$ <u>2,676</u>
DIFFERENCE	\$ <u>6,906</u>	\$ <u>(622)</u>	\$ <u>--</u>	\$ <u>--</u>	\$ <u>(5,600)</u>	\$ <u>--</u>

<u>Project Independence</u>	<u>Child Care Block Grant</u>	<u>New Orleans Council On Aging</u>	<u>Title XIX Adult Day Program</u>	<u>Veterans Administration</u>	<u>State Food - Adults</u>	<u>Total Community Action Home Base</u>	<u>Total Community Action Start Up</u>	<u>OCS Family Preservation</u>
\$ 2,884	\$ 8,773	\$ 26,885	\$360,389	\$ 12,869	\$ 36,203	\$ 50,408	\$ 35,568	\$174,039
\$ --	\$ --	\$ 21,397	\$ --	\$ --	\$ 12,778	\$ 43,448	\$ 14,449	\$ 97,334
--	--	--	--	--	--	--	90	1,124
--	--	3,613	--	--	2,778	5,723	2,334	1,653
--	--	210	--	--	--	--	--	2,375
--	--	1,699	--	--	--	1,237	8	9,437
--	--	--	--	--	--	--	--	--
2,884	8,773	(33)	360,389	12,869	32,124	--	10,337	13,762
--	--	--	--	--	--	--	3,606	206
--	--	--	--	--	--	--	--	48,149
\$ 2,884	\$ 8,773	\$ 26,885	\$360,389	\$ 12,869	\$ 47,690	\$ 50,408	\$ 30,824	\$174,039
\$ --	\$ --	\$ --	\$ --	\$ --	\$(11,487)	\$ --	\$ 4,744	\$ --

(Continued)

KINGSLEY HOUSE, INC.

SCHEDULE OF GOVERNMENTAL GRANTS AND CONTRACTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1998

	<u>OYD - Family Preservation.</u>	<u>CCMP - OADA</u>	<u>OCS Family Support</u>	<u>OCS Family Preservation - FAST</u>	<u>STRETCH</u>	<u>Camp Head Start</u>	<u>Total All Grants</u>
REVENUES							
Federal financial assistance and other state and federal revenue	\$ <u>179,447</u>	\$ <u>35,339</u>	\$ <u>71,486</u>	\$ <u>144,883</u>	\$ <u>64,898</u>	\$ <u>4,068</u>	\$ <u>2,273,518</u>
EXPENSES							
Compensation and related	\$ 135,736	\$ 17,340	\$ 59,506	\$ 95,158	\$ 25,506	\$ 2,322	\$1,174,576
Professional	1,138	570	800	2,900	549	--	29,846
Supplies	1,874	2,728	275	3,078	12,656	1,257	167,746
Occupancy	3,525	2,230	434	9,821	16,491	489	85,097
Travel	7,446	6,719	464	7,548	8,386	--	49,842
Specific assistance	--	--	--	--	--	--	3,125
Other	6,369	108	1,883	3,944	1,310	--	502,282
Renovations and furnishings	206	--	--	--	--	--	90,596
Management and general	<u>23,152</u>	<u>5,644</u>	<u>8,124</u>	<u>22,434</u>	<u>--</u>	<u>--</u>	<u>107,503</u>
TOTAL EXPENSES	\$ <u>179,447</u>	\$ <u>35,339</u>	\$ <u>71,486</u>	\$ <u>144,883</u>	\$ <u>64,898</u>	\$ <u>4,068</u>	\$ <u>2,210,613</u>
DIFFERENCE	\$ <u>--</u>	\$ <u>--</u>	\$ <u>--</u>	\$ <u>--</u>	\$ <u>--</u>	\$ <u>--</u>	\$ <u>(6,061)</u>

OMB CIRCULAR A-133 COMPLIANCE AND
GOVERNMENT AUDITING STANDARDS REPORTS

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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

To the Board of Directors
Kingsley House, Inc.
New Orleans, Louisiana

Compliance

We have audited the compliance of Kingsley House, Inc. (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. Kingsley House, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Kingsley House, Inc.'s management. Our responsibility is to express an opinion on Kingsley House, 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 Kingsley House, 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 of Kingsley House, Inc.'s compliance with those requirements.

In our opinion, Kingsley House, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1998.

Internal Control Over Compliance

The management of Kingsley House, Inc. 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 our audit, we considered Kingsley House, 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.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Kingsley House, Inc. as of and for the year ended June 30, 1998, and have issued our report thereon dated December 16, 1998. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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.



Metairie, Louisiana
December 16, 1998

KINGSLEY HOUSE, 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>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
MAJOR PROGRAMS:			
U.S. Department of Health and Human Services			
Passed-through Total Community Action, Inc.			
Head Start Act			
Project Head Start	93.600	06CH0473	\$ 834,487*
Project Child Center	93.600		50,353*
Project Head Start – Start Up			<u>30,824*</u>
			<u>\$ 915,664</u>
Passed-through Administration for Children and Families			
Family-to-Family and STRETCH	93.600	90-YB-0015/01	\$ <u>64,898</u>
Passed-through State of Louisiana, Office of Community Service/Social Services Block Grant			
Family Preservation-FAST	93.667	515186	\$ 144,883*
Family Preservation-Support	93.667	515185	71,486*
Family Preservation-Orleans and Thibodeaux	93.667	508011 & 507955	<u>174,039*</u>
			<u>\$ 390,408</u>
Subtotal Major Federal Awards			<u>\$1,370,970</u>

(Continued)

*Type A Major Programs

KINGSLEY HOUSE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1998

<u>Federal Grantor/Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
OTHER FEDERAL AWARDS			
Passed-through New Orleans Council on Aging Administration for Aging - Special Programs for the Aging - Title III Part B - Grants For Supportive Services and Senior Centers	93.044	SC-60	\$ <u>26,885</u>
Passed-through Louisiana Department of Health and Hospitals - Office of Drug Block Grants for Prevention and Treatment	93.959	--	\$ <u>35,339</u>
U.S. Department of Agriculture			
Passed-through State of Louisiana Department of Education			
Child and Adult Food Program	10.558	93-255	\$ 135,674
Child and Adult Food Program	10.558	93-432	<u>47,690</u>
Subtotal			\$ <u>183,364</u>
Department of Justice			
Passed-through Louisiana Commission of Law Enforcement and Administration of Child Abuse Victim Support Group	16.547	97-C9-V.3-0359	<u>27,339</u>
Subtotal Other Federal Awards			\$ <u>272,927</u>
Total Expenditures of Federal Awards			\$ <u>1,643,897</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998

Note A - Basis of Accountings

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Association 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 Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note B - Risk-Based Audit Approach

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

KINGSLEY HOUSE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998

SUMMARY OF THE AUDITORS' RESULTS

- An unqualified opinion was issued on the financial statements of the auditee.
- The statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses is not applicable.
- The audit disclosed no instances of noncompliance that were material to the financial statements of the auditee.
- The statement that reportable conditions in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses is not applicable.
- An unqualified opinion was issued on compliance for major programs.
- The audit disclosed no findings which are required to be reported under Section 510(a) of Circular A-133.
- Major programs for the fiscal year ended June 30, 1998 were:
 1. Department of Health and Human Services
 - Head Start Act (CFDA #93.600)
 - Social Services Block Grant (CFDA #93.667)
 2. Department of Housing and Urban Development
 - Community Development Block Grant (CFDA #14.218)
- The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- The auditee did qualify as a low-risk auditee.

KINGSLEY HOUSE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
YEAR ENDED JUNE 30, 1998

SCHEDULE OF FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There were no findings related to the financial statements for the year ended June 30, 1998.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

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

STATUS OF PRIOR YEAR AUDIT FINDINGS

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