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**Volunteers of America of North Louisiana
Shreveport, Louisiana**

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 7 1999

**Volunteers of America of North Louisiana
Shreveport, Louisiana**

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Volunteers of America of North Louisiana

Shreveport, Louisiana

Exhibit A

Statement of Financial Position
June 30, 1998
(With Comparative Totals for 1997)

| | <u>1998</u> | <u>1997</u> |
|--|---------------------|---------------------|
| Assets | | |
| Current Assets | | |
| Cash and Equivalents | \$ 270,082 | \$ 378,193 |
| Accounts Receivable | 670,350 | 479,403 |
| Pledges Receivable | 23,575 | - |
| Prepaid Expenses | 50,804 | 58,990 |
| Total Current Assets | <u>1,014,811</u> | <u>916,586</u> |
| Restricted Cash | 59,811 | 208,066 |
| Property and Equipment | | |
| Land and Buildings | 1,220,570 | 1,005,580 |
| Furniture and Equipment | 769,268 | 638,545 |
| Less: Accumulated Depreciation | <u>(1,028,965)</u> | <u>(944,200)</u> |
| Total Fixed Assets | <u>960,873</u> | <u>699,925</u> |
| Other Assets | 37,786 | 24,560 |
| Total Assets | <u>\$ 2,073,281</u> | <u>\$ 1,849,137</u> |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts Payable | \$ 57,224 | \$ 36,598 |
| Current Portion of Notes Payable | 56,031 | 59,878 |
| Accrued Expenses | 365,498 | 292,713 |
| Total Current Liabilities | <u>478,753</u> | <u>389,189</u> |
| Notes Payable - Long-Term Portion | 109,843 | 129,831 |
| Total Liabilities | <u>588,596</u> | <u>519,020</u> |
| Net Assets | | |
| Unrestricted | 1,237,382 | 999,370 |
| Temporarily Restricted | 247,303 | 328,723 |
| Permanently Restricted | - | 2,024 |
| Total Net Assets | <u>1,484,685</u> | <u>1,330,117</u> |
| Total Liabilities and Net Assets | <u>\$ 2,073,281</u> | <u>\$ 1,849,137</u> |

The accompanying Notes are an integral part of these statements.

Volunteers of America of North Louisiana

Shreveport, Louisiana

Exhibit B

Statement of Activities
for the Year Ended June 30, 1998
(With Comparative Totals for 1997)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 1998 Total | 1997 Total |
|---|---------------------|---------------------------|---------------------------|---------------------|---------------------|
| Revenues from Operations | | | | | |
| <i>Public Support Received Directly</i> | | | | | |
| Contributions | \$ 699,046 | \$ 74,406 | \$ - | \$ 773,452 | \$ 776,306 |
| Government Fees and Grants | 1,943,038 | 1,560,062 | - | 3,503,100 | 2,831,688 |
| <i>Other Revenue</i> | | | | | |
| Service Fees and Sales | 196,385 | 94,050 | - | 290,435 | 237,873 |
| <i>Net Assets Released from Restrictions</i> | | | | | |
| Satisfaction of Program Restrictions | 1,656,368 | (1,656,368) | - | - | - |
| Total Revenues From Operations | 4,494,837 | 72,150 | - | 4,566,987 | 3,845,867 |
| Operating Expenses | | | | | |
| <i>Program Services</i> | | | | | |
| Family Services | 331,192 | - | - | 331,192 | 279,680 |
| Residential Services | 1,027,082 | - | - | 1,027,082 | 877,644 |
| Mental Health | 736,163 | - | - | 736,163 | 739,735 |
| Lighthouse | 710,315 | - | - | 710,315 | 518,712 |
| Central Louisiana | 1,007,702 | - | - | 1,007,702 | 655,055 |
| HUD Management | 19,613 | - | - | 19,613 | 23,482 |
| Total Program Services | 3,832,067 | - | - | 3,832,067 | 3,094,308 |
| <i>Support Services</i> | | | | | |
| Management and General | 622,783 | - | - | 622,783 | 502,141 |
| Fund Raising | 33,640 | - | - | 33,640 | 19,741 |
| Total Support Services | 656,423 | - | - | 656,423 | 521,882 |
| Total Operating Expenses | 4,488,490 | - | - | 4,488,490 | 3,616,190 |
| Excess (Deficit) from Operations | 6,347 | 72,150 | - | 78,497 | 229,677 |
| Non-Operating Gains and Other Revenue | | | | | |
| Investment Income | 18,582 | - | - | 18,582 | 19,812 |
| Other Revenue (Losses) | 60,278 | (2,789) | - | 57,489 | 1,759 |
| Excess (Deficit) from Other Activities | 78,860 | (2,789) | - | 76,071 | 21,571 |
| Change in Net Assets | 85,207 | 69,361 | - | 154,568 | 251,248 |
| Net Assets at Beginning of Year | 999,370 | 328,723 | 2,024 | 1,330,117 | 1,078,869 |
| Transfer Net Assets for Property Improvements | 150,781 | (150,781) | - | - | - |
| Remove Encumbered Asset | 2,024 | - | (2,024) | - | - |
| Net Assets at End of Year | \$ 1,237,382 | \$ 247,303 | \$ - | \$ 1,484,685 | \$ 1,330,117 |

The accompanying Notes are an integral part of these statements.

Volunteers of America of North Louisiana

Shreveport, Louisiana

Exhibit C

Statement of Functional Expenses for the Year Ended June 30, 1998 (With Comparative Totals for 1997)

| | Support Services | | Program Services | | | | | | | Total Expenses | | | |
|----------------------------------|---------------------------|------------------|-------------------|--------------------|-------------------------|-------------------|-------------------|----------------------|------------------|---------------------|---------------------|---------------------|------|
| | Management and General | Fund Raising | Total | Family Services | | | Mental Health | Central Louisiana | | HUD Management | Total | 1998 | 1997 |
| | | | | Family Services | Residential Services | Lighthouse | | Louisiana | Management | | | | |
| Salaries | \$ 261,265 | \$ 7,055 | \$ 268,320 | \$ 155,407 | \$ 615,202 | \$ 434,074 | \$ 430,590 | \$ 611,178 | \$ 13,685 | \$ 2,260,135 | \$ 2,528,456 | \$ 2,162,415 | |
| Pension Expense | 8,040 | 614 | 8,654 | 13,664 | 20,070 | 16,782 | 19,311 | 23,581 | - | 93,408 | 102,062 | 101,052 | |
| Employee Benefits | 18,103 | 764 | 18,867 | 3,765 | 23,686 | 19,454 | 14,036 | 24,302 | 860 | 86,103 | 104,970 | 94,049 | |
| Payroll Taxes | 44,366 | 87 | 44,453 | 12,418 | 51,176 | 35,850 | 31,054 | 50,625 | 1,111 | 182,234 | 226,687 | 173,164 | |
| Legal Fees | 2,218 | - | 2,218 | 15,554 | 40 | (788) | - | 1,748 | - | 16,554 | 18,772 | 15,167 | |
| Accounting Fees | 18,525 | - | 18,525 | - | - | - | - | - | - | - | 18,525 | 12,080 | |
| Other Professional Fees | 43,476 | 6,793 | 50,269 | 33,075 | 68,448 | 27,108 | 18,240 | 35,543 | 1,226 | 183,640 | 233,909 | 152,212 | |
| Supplies and Expenses | 5,476 | 354 | 5,830 | 9,562 | 40,446 | 41,901 | 60,704 | 72,345 | 385 | 225,343 | 231,173 | 167,742 | |
| Telephone | 9,122 | 62 | 9,184 | 8,008 | 7,598 | 15,892 | 14,642 | 18,696 | 75 | 64,911 | 74,095 | 47,950 | |
| Postage and Shipping | 7,701 | 726 | 8,427 | 2,880 | 412 | 591 | 2,424 | 4,627 | 36 | 10,970 | 19,397 | 11,419 | |
| Occupancy | 29,951 | 853 | 30,804 | 16,194 | 58,127 | 60,466 | 36,861 | 64,711 | - | 236,359 | 267,163 | 196,842 | |
| Interest | - | - | - | - | 4,880 | 4,504 | - | - | - | 9,384 | 9,384 | 10,832 | |
| Equipment Rental and Maintenance | 3,959 | - | 3,959 | 1,298 | 2,923 | 4,443 | 5,146 | 2,699 | - | 16,509 | 20,468 | 22,135 | |
| Printing and Publications | 4,452 | 6,886 | 11,338 | 12,173 | 1,373 | 1,786 | 13,237 | 13,270 | - | 41,839 | 53,177 | 19,300 | |
| Travel | 6,543 | 237 | 6,780 | 9,711 | 27,737 | 24,127 | 39,359 | 50,991 | 112 | 152,037 | 158,817 | 123,030 | |
| Conferences and Meetings | 9,641 | 9,077 | 18,718 | 10,762 | 3,180 | 4,307 | 10,644 | 11,714 | - | 40,607 | 59,325 | 28,971 | |
| Direct Client Expenses | - | - | - | 17,115 | 60,027 | 20,568 | 7,810 | 7,469 | - | 112,989 | 112,989 | 71,474 | |
| Other | 17,850 | - | 17,850 | 30 | 16,462 | 3,435 | 23 | 38 | 131 | 20,119 | 37,969 | 10,298 | |
| National Supervisory Fees | 121,938 | - | 121,938 | - | - | - | - | - | - | - | 121,938 | 108,554 | |
| Total Expenses Before | 612,626 | 33,508 | 646,134 | 321,616 | 1,001,787 | 714,500 | 704,081 | 993,537 | 17,621 | 3,753,142 | 4,399,276 | 3,528,686 | |
| Depreciation | - | - | - | - | - | - | - | - | - | - | - | - | |
| Depreciation and Amortization | 10,157 | 132 | 10,289 | 9,576 | 25,295 | 21,663 | 6,234 | 14,165 | 1,992 | 78,925 | 89,214 | 87,504 | |
| Total Functional Expenses | \$ 622,783 | \$ 33,640 | \$ 656,423 | \$ 331,192 | \$ 1,027,082 | \$ 736,163 | \$ 710,315 | \$ 1,007,702 | \$ 19,613 | \$ 3,832,067 | \$ 4,488,490 | \$ 3,616,190 | |

The accompanying Notes are an integral part of these statements.

Volunteers of America of North Louisiana

Shreveport, Louisiana

Exhibit D

Statement of Cash Flows For the Year Ended June 30, 1998 (With Comparative Totals for 1997)

| | 1998 | 1997 |
|--|------------|------------|
| Cash Flows from Operating Activities | | |
| Change in Net Assets | \$ 154,568 | \$ 251,248 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities | | |
| Depreciation and Amortization | 89,214 | 87,504 |
| Loss (Gain) on Disposal of Fixed Assets | 527 | 20,175 |
| Donated Property | - | - |
| Changes in Current Assets and Liabilities | | |
| (Increase) Decrease in Other Assets: | | |
| Accounts Receivable | (190,947) | (10,382) |
| Pledges Receivable | (23,575) | |
| Prepaid Expenses | 8,186 | (58,313) |
| Other Assets | (13,226) | 82,233 |
| Increase (Decrease) in Other Liabilities: | | |
| Accounts Payable | 20,626 | (38,179) |
| Accrued Expenses | 72,785 | 46,256 |
| Deferred Revenue | - | - |
| Net Cash Provided by Operating Activities | 118,158 | 380,542 |
| Cash Flows from Investing Activities | | |
| (Increase) Decrease in Restricted Cash | 148,255 | (153,468) |
| Purchase of Fixed Assets | (351,569) | (60,712) |
| Proceeds from Sale of Fixed Assets | 880 | 61,939 |
| Net Cash Provided (Used) by Investing Activities | (202,434) | (152,241) |
| Cash Flows from Financing Activities | | |
| Payment on Notes Payable | (78,862) | (124,809) |
| Proceeds from issuance of Notes Payable | 55,027 | 63,932 |
| Net Cash Provided (Used) by Financing Activities | (23,835) | (60,877) |
| Net Increase (Decrease) in Cash | (108,111) | 167,424 |
| Cash and Cash Equivalents-Beginning | 378,193 | 210,769 |
| Cash and Cash Equivalents-Ending | \$ 270,082 | \$ 378,193 |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash Paid for Interest During the Year | \$ 9,384 | \$ 10,832 |

The accompanying Notes are an integral part of these statements.

Volunteers of America of North Louisiana
Shreveport, Louisiana

Notes to the Financial Statements
June 30, 1998

Note 1 Organization

Volunteers of America of North Louisiana (VOA) is a not-for-profit Christian human services agency, recognized as a church, incorporated in the State of Louisiana, which provides social services within North and Central Louisiana, under a charter from Volunteers of America, Inc., a national religious not-for-profit corporation.

The agency is comprised of the following six principal divisions:

Family and Children Services

This division includes the following programs:

Pregnancy Services - provides comprehensive care for pregnant girls and women, birth fathers, and their families by providing options counseling and case management and provides licensed adoption services throughout North Louisiana and Southern Arkansas; primarily funded by United Way funds, private contributions, and program service fees collected from adoption clients.

Community Living Services

This division includes the following programs:

Magnolia and Meadowbrook House - two community group homes where developmentally disabled adult residents are assisted in developing independent living skills; primarily funded by Title XIX of the Federal Medicaid Program.

Supported Independent Living - provides supervised apartment living to mentally retarded/developmentally disabled adults; primarily funded by the Federal Medicaid Program.

Personal Care Attendant Services - provides personal care attendant services to developmentally disabled adults; primarily funded by the Federal Medicaid Program.

Case Management - provides services to adults who are developmentally disabled in an effort to allow clients to live in the community; primarily funded by State of Louisiana Office of Mental Retardation and Developmental Disability; and Title XIX of the Federal Medicaid Program.

Mental Health

This division includes the following programs:

MADRE - provides supervised apartment living to dually diagnosed (mental illness/substance abuse) women and their children; primarily funded by federal funds passed through the State of Louisiana Office of Human Services - Office of Alcohol and Drug Abuse.

McAdoo Hotel - provides long-term housing for mentally ill homeless individuals in a safe, decent and sanitary environment; primarily funded by state and federal funds passed through the State of Louisiana Office of Mental Health.

Crisis Respite - provides temporary respite for families of children and adolescents with emotional disturbances; primarily funded by State of Louisiana Office of Mental Health.

Transportation - Van Go - provides transportation services to seriously mentally ill adults and emotionally disturbed adolescents; primarily funded by the State of Louisiana Office of Mental Health.

Gateway Clubhouse - provides social day programs for individuals who suffer from severe mental illness and are unable to participate in competitive employment; primarily funded by the State of Louisiana Office of Mental Health.

Rehabilitation Management - provides coordination/management of necessary assessments and services needed for children and adults suffering from a serious emotional disturbance; primarily funded by Title XIX of the Federal Medicaid Program.

Treatment Coordination - provides assessment, service planning and advocacy for adults identified with severe and persistent mental illness and to youth identified as seriously emotional/behavior disordered. The services include assistance in obtaining supports necessary to achieve, maintain and improve community-based living. The State of Louisiana, Office of Mental Health, primarily funds the program.

Assertive Community Treatment - Program is designed to assist seriously mentally ill adults and emotional/behavior disordered children in receiving services in the area of assessment, service planning and advocacy. The services are designed to provide assistance to the consumer in obtaining and maintaining necessary supports to achieve or improve community living situations. These services are provided in their natural environment in the community where they live, primarily funded by the State of Louisiana Office of Mental Health.

Lighthouse

This division includes the following programs:

Project Hope - provides a pre-vocational training program for JTPA eligible youths ages 14 - 21; primarily funded by JTPA Federal funds passed through the City of Shreveport.

Project Independence - provides a job readiness training program for recipients of public assistance; primarily funded by federal funds passed through the State of Louisiana Department of Social Services.

Family Preservation - provides intensive, time-limited, home-based services for families referred from the Office of Community Services; primarily funded by federal funds passed through the State of Louisiana Department of Social Services.

Family Reunification - provides direct, intensive in-home service to families whose children are being returned to them from foster care; primarily funded by federal funds passed through the State of Louisiana Department of Social Services.

Homemaker/Parent Aid - provides less intensive homemaking and parenting training to families referred by the Office of Community Services; primarily funded by federal funds passed through the State of Louisiana Department of Social Services.

Preschool Program - provides educational and intellectual stimulation for three and four years olds; primarily funded by private contributions and federal funds passed through the Shreveport Housing Authority.

After School - provides assistance to youth ages 5 - 13 in acquiring basic educational skills; primarily funded by private contributions.

Special Services - provides youth leadership training for junior and senior high school students and intensive in-house training and support for parents in the Lighthouse neighborhoods; primarily funded by private contributions.

M.A.I.N.S – provides mentoring to at-risk students in order to expose them to positive experiences; funded by direct federal grant.

Pinnacle (Minden Mentoring) – provides mentoring to elementary school children in the Minden area in order to expose them to positive experiences and have someone to listen to their problems.

Central Louisiana Operations

This division includes the following programs:

Family Preservation - provides intensive, time-limited, home-based services for families referred from the Office of Community Services; primarily funded by federal funds passed through the State of Louisiana Department of Social Services.

Family Reunification - provides direct, intensive in-home service to families whose children are being returned to them from foster care; primarily funded by federal funds passed through the State of Louisiana Department of Social Services.

Whatever It Takes - provides linkage, referral, planning, assessment and advocacy services to children suffering from a serious emotional disturbance in an effort to reduce hospitalizations and allow them to live in the community; primarily funded by State of Louisiana Office of Mental Health.

Respite - provides temporary respite for families of children and adolescents with emotional disturbances; primarily funded by State of Louisiana Office of Mental Health.

Family Resource Center – provides family preservation support and respite to fostering and adopting families; funded by the State of Louisiana Office of Community Support.

Treatment Coordination - provides assessment, service planning and advocacy for adults identified with severe and persistent mental illness and to youth identified as seriously emotional/behavior disordered; services include assistance in obtaining supports necessary to achieve, maintain and improve community-based living; primarily funded by the State of Louisiana Office of Mental Health.

Assertive Community Treatment - designed to assist seriously mentally ill adults and emotional/behavior disordered children in receiving services in the area of assessment, service planning and advocacy; services are designed to provide assistance to the consumer in obtaining and maintaining necessary supports to achieve or improve community living situations and are provided in their natural environment in the community where they live, primarily funded by the State of Louisiana Office of Mental Health.

Rapides Children Cabinet – is a collaboration contract among child serving agencies funded by the State of Louisiana Office of Community Support.

HUD Management

This division includes the following programs:

Greenwood Lodge - VOA of North Louisiana has entered into a management agreement with Shreveport VOA Community Living Center II, which is part of the National Affiliation with Volunteers of America, Inc., to manage a Section 202 Elderly and Handicap Project. This activity is primarily funded with the management fees generated by the management agreement.

Corbitt Lodge - VOA of North Louisiana has entered into a management agreement with Shreveport VOA Community Living Center I, which is part of the National Affiliation with Volunteers of America, Inc., to manage a Section 202 Elderly and Handicap Project. This activity is primarily funded with the management fees generated by the management agreement.

Independence Lodge - VOA of North Louisiana has entered into a management agreement with Bossier City VOA Independent Housing, Inc., which is part of the National Affiliation with Volunteers of America, Inc., to manage a Section 811 Supportive Housing for Persons with Disabilities Project. This activity is primarily funded with the management fees generated by the management agreement.

Independence Meadows - VOA of North Louisiana has entered into a management agreement with Ruston VOA Living Center, Inc. which is part of the National Affiliation with Volunteers of America, Inc., to manage a Section 811 Supportive Housing for Persons with Disabilities Project. This activity is primarily funded with the management fees generated by the management agreement.

New Haven Square - VOA of North Louisiana has entered into a management agreement with Alexandria Living Center, Inc. which is part of the National Affiliation with Volunteers of America, Inc., to manage a Section 811 Supportive Housing for Persons with Disabilities Project. This activity is primarily funded with the management fees generated by the management agreement.

The continued existence of new funds, for the preceding programs which are primarily funded through grants and contracts, will be dependent upon contractual renewals with the agency's various funding sources.

Note 2 Summary of Significant Accounting Policies

The accounting policies of the agency conform to generally accepted accounting principles as applicable to voluntary health and welfare organizations. The more significant accounting policies of the agency are described below:

Basis of Accounting: The agency prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Functional Expenses: Expenses are charged to each program based upon direct expenditures incurred. It is the agency's policy to allocate indirect expenses of the support services to certain restricted programs based upon total expenses of the restricted programs.

Accounts Receivable: Volunteers of America of North Louisiana extends credit to select individuals in the course of performing adoptions and other services in Central and North Louisiana on an unsecured basis. In addition, various Federal, State and local agencies provide reimbursement of allowed costs in connection with providing services under contract with these agencies.

Pledges Receivables: Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those

amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Conditional promises to give are not included as support until the conditions are substantially met.

Property and Equipment: Land, buildings and equipment purchased by the agency are recorded at cost. This agency follows the practice of capitalizing all expenditures for land, buildings and equipment in excess of \$1,000. Donations of property and equipment are recorded at their fair value at the date of the gift. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets. Depreciation expense for the years ended June 30, 1998 and 1997 was \$89,214 and \$87,504, respectively.

Net Assets: Under the provisions of Statement of Financial Accounting Standards No. 117, "Financial Statements for Not-For-Profit Organizations", net assets and revenues and contributions, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets which are not subject to donor-imposed stipulations. Support restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Temporarily restricted net assets - Net assets which are subject to donor-imposed stipulations which may or will be met either by actions of the Organization and/or the passage of time. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (i.e., 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.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations requiring they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Contributions: All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received which are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support which increases those net assets classes.

Contributed Services: The organization recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance nonfinancial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Federal Income Taxes: Volunteers of America of North Louisiana is exempt from Federal income taxes as a subordinate unit of Volunteers of America, Inc. Volunteers of America, Inc. is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code as a religious organization described in Section 501(c)(3).

Cash Equivalents: Volunteers of America of North Louisiana considers all highly liquid investments with a maturity of ninety (90) days or less when purchased to be cash equivalents, unless held for reinvestment as part of the investment portfolio, pledged to secure loan agreements or otherwise encumbered. The carrying amount approximates fair value because of the short maturity of those instruments.

Investments: Under Statement of Financial Accounting Standards No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations" (FAS No. 124), investments in marketable debt and

equity instruments are classified according to the Organization's ability or intention to hold the investments. Therefore, investments that are actively traded by the Organization will be classified as "Actively Trading". These investments will be carried at market value with increases or decreases in market value over related cost basis included in the current change in net assets.

Investments which the Organization has both the ability and intent to hold until maturity will be classified as "Held to Maturity", and carried in the accompanying financial statements at amortized cost, with no amounts recorded in the financial statements for increases or decreases in the change of market value over the related cost basis.

Investments that are not held to maturity or actively trading will be classified in the financial statements as "Available for Sale" and carried at market value with increases or decreases in market value over related cost basis included in the net assets as a valuation allowance.

Gains or losses on the sale of securities are recognized on a specific identification method.

Summary Financial Information for 1997: The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statement for the year ended June 30, 1997, from which the summarized information was derived. Certain items in the comparative information has been reclassified for presentation consistency purposes with the current year.

Risks and Uncertainties: The preparation of financial statements in conformity with generally accepted accounting principles 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 reported period. Actual results could differ from those estimates.

Concentrations of Credit Risk Volunteers of America of North Louisiana maintains its cash balances at several different financial institutions and investment companies in their service delivery area. The balances with the financial institutions are insured by the FDIC up to \$100,000 for each bank. At June 30, 1998 and 1997, the Organization's uninsured cash balances totaled \$0 and \$91,837, respectively. The bank in which the Organization's deposits have exceeded the insured limit has a strong credit rating. Management believes that credit risk related to these deposits is minimal.

At June 30, 1998 and 1997 there was approximately \$285,287 and \$347,321, respectively, held in short term mutual funds at various investment companies. Balances are insured up to \$500,000 (with a limit of \$100,000 for cash) by the Securities Investor Protection Corporation.

Note 3 Board Designated Cash

The Organization's Board of Directors has determined that all funds, including reinvested earnings, contained in the Organization's mutual fund account maintained with Legg Mason Wood Walker, Incorporated are designated for specific purposes for a period of at least ten years. As of June 30, 1998 and 1997, the balances in this account were \$59,811 and \$208,066, respectively. These balances are carried at cost, which approximates market value.

Note 4 Temporarily Restricted Net Assets

Temporarily Restricted Net Assets is composed mainly of the net book value of property and equipment utilized in various programs.

Note 5 Notes Payable

| | <u>1998</u> | <u>1997</u> |
|--|-------------------|-------------------|
| Mortgage payable to a financial institution in the original amount of \$68,000, at 7.5% interest, payable in monthly installments of \$630, including interest, due September 10, 2008, secured by land and building | \$ 53,348 | \$ 57,039 |
| Mortgage payable to a financial institution in the original amount of \$75,000, at 7.75% interest, payable in monthly installments of \$706 including interest, with the balance due December 15, 2007, secured by land and building | 55,664 | 59,963 |
| Promissory note payable to a financial institution in the original amount of \$20,247, at 8.5% interest, payable in monthly installments of \$501, including interest, with the balance due February 15, 2000, secured by a vehicle | 9,305 | 14,280 |
| Promissory note payable to a financial institution in the original amount of \$22,626, at 8.5% interest, payable in monthly installments of \$560, including interest, with the balance due March 25, 2000, secured by a vehicle | 10,873 | 16,390 |
| Promissory note payable to a finance company in the original amount of \$52,910, at 9.5% interest, payable in nine monthly installments of \$6,114 including interest, due December 1, 1998, unsecured | <u>36,684</u> | <u>42,037</u> |
| Total | 165,874 | 189,709 |
| Less Current Portion | (56,031) | (59,878) |
| Long-Term Portion | <u>\$ 109,843</u> | <u>\$ 129,831</u> |

The following is a schedule of the debt maturing in subsequent fiscal years:

| | |
|-----------------------------|-------------------|
| Fiscal Year Ending June 30, | |
| 1999 | \$ 56,031 |
| 2000 | 17,215 |
| 2001 | 9,176 |
| 2002 | 9,903 |
| 2003 | 10,685 |
| Thereafter | <u>62,864</u> |
| | <u>\$ 165,874</u> |

Interest expense for the years ended June 30, 1998 and 1997 was \$9,384 and \$10,832, respectively.

At June 30, 1998, the Organization had an irrevocable letter of credit in the amount of \$21,340 issued. As of June 30, 1998, no amounts had been drawn on this letter of credit.

Note 6 Leases

The agency leases certain facilities and equipment from unrelated parties under operating leases, which expire at various dates. The minimum future lease obligations under such leases are as follows:

| | |
|----------------------------|-----------------|
| Fiscal Year Ending June 30 | |
| 1999 | \$ 6,916 |
| 2000 | 0 |
| Total | <u>\$ 6,916</u> |

Total rent expense under all leases amounted to \$100,570 and \$92,029 for the years ended June 30, 1998 and 1997, respectively and are included in occupancy expense.

Note 7 Pension Plan for Ministers

Volunteers of America of North Louisiana participates in a non-contributory defined benefit pension and retirement plan. The plan is administered through a commercial insurance company and covers all commissioned ministers. Pension plan expense was \$23,340 and \$26,842 for the years ended June 30, 1998 and 1997, respectively.

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

Note 8 Profit Sharing Plan

Volunteers of America of North Louisiana has a non-contributory profit sharing plan, covering all eligible employees as required by the Employee Retirement Income Security Act of 1974. The plan is administered by Bank One, Shreveport, Louisiana. Contributions made to the plan are at the discretion of the Board of Directors. During the years ended June 30, 1998 and 1997 contributions to the plan charged to operations were \$78,723 and \$74,210, respectively.

Note 9 Related Party Transactions

Volunteers of America of North Louisiana is affiliated with Volunteers of America, Inc. which provides administrative services to the agency for a fee. Administrative fees for the fiscal year ended June 30, 1998 and 1997 totaled \$121,938 and \$108,554, respectively. The amount due Volunteers of America, Inc. for administrative fees as of June 30, 1998 and 1997 was \$28,684 and \$7,110, respectively.

Note 10 Accounts Receivable

At June 30, 1998 and 1997, accounts receivable consisted of the following:

| | 1998 | 1997 |
|--|----------------|----------------|
| Grants and contracts receivable | \$ 665,023 | \$ 480,769 |
| Other receivables | 45,721 | 39,021 |
| Less allowance for uncollectible receivables | (40,394) | (40,387) |
| Total | \$ 670,350 | \$ 479,403 |

Note 11 Pledges Receivable

Pledges receivable consists of the following unconditional promise to give:

| | |
|--|---------------|
| Frost Foundation grant for Project Hope Pre-Employment Training and Job Placement Program. | \$ 50,000 |
| Less : Unamortized Discount | (2,850) |
| Subtotal | 47,150 |
| Less: Allowance for uncollectible pledges | 0 |
| Net unconditional pledges receivable | \$ 47,150 |
| Amounts due in: | |
| Less than one year (included in Pledges Receivable) | \$ 23,575 |
| One to five years (included in Other Assets) | 23,575 |
| Total | \$ 47,150 |

Present value of Pledges Receivable due within one year are shown under current assets on the statement of financial position and the present value of the long-term portion is included in Other Assets. Discount rate used is 4%.

Note 12 Compensated Absences - Accrued Leave

Employees may accrue certain hours of vacation leave each year. Vacation leave may accrue up to 192 hours. Upon an employee's separation of employment, earned and/or accrued leave will be paid up to a maximum of 192 hours. Employees can also accrue sick leave, but accumulated sick leave is forfeited upon separation of employment.

At June 30, 1998 and 1997, the approximate amount of accumulated and vested employee leave benefits was \$100,097 and \$93,248, respectively, which is included in Accrued Expenses (see Note 13).

Note 13 Accrued Expenses

At June 30, 1998 and 1997, accrued expenses consisted of the following:

| | 1998 | 1997 |
|-----------------------------------|------------|------------|
| Accrued payroll and related taxes | \$ 170,748 | \$ 104,437 |
| Accrued leave payable | 100,097 | 93,248 |
| Retirement liability payable | 78,723 | 74,210 |
| Other Accrued | 15,930 | 20,818 |
| Total | \$ 365,498 | \$ 292,713 |

Note 14 Commitments and Contingencies

The Organization is a co-defendant in a lawsuit brought alleging assault by a VOA client. Potential liability of this lawsuit is unknown at this time and the matter has not been set for trial. VOA's insurance carrier is defending this matter. Losses are not reasonably estimable at this time, thus no accrual has been made. VOA has maximum insurance coverage of up to \$100,000.

The Organization is also a co-defendant in another lawsuit filed by a former lessor alleging breach of contract and damages. The suit asks for punitive damages totaling \$48,848 plus court costs and attorney fees. The Organization considers the claims to be unfounded, and a defense to the litigation is being provided by their insurer.

Note 15 Year 2000 Compliance

Volunteers of America of North Louisiana engaged Prysm Technologies, Inc. on October 6, 1998 to conduct a review of their Organization to determine the impact the "Year 2000" issues may have on operations. The purpose of this engagement is to reduce the level of risk to the Organization's operating viability related to computer hardware and software and other equipment problems that may be caused by "Year 2000" problems. A report will be provided summarizing the results of the review in the early part of 1999.

Additional Information

Volunteers of America of North Louisiana

Shreveport, Louisiana

Schedule of Expenditures of Federal Awards
for the Year Ended June 30, 1998

Schedule 1

| Federal Grantor/Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Grant Period | Program or Award Amount | Total Federal Expenditures |
|--|---------------------|-------------------------------|---------------------|-------------------------|----------------------------|
| U. S. Department of Health and Human Services | | | | | |
| Passed through the State of Louisiana Department of Health and Hospitals | | | | | |
| MADRE | 93.959 | 520814 | 07/01/97 - 06/30/98 | \$ 119,500 | \$ 121,614 |
| Treatment Coordination | 93.958 | 521055 | 07/01/97 - 06/30/98 | 131,980 | 133,228 |
| McAdoo | 93.958 | 525251 | 07/01/97 - 06/30/98 | 37,000 | 39,482 |
| Whatever It Takes | 93.958 | 520785 | 07/01/97 - 06/30/98 | 38,470 | 31,198 |
| Passed through the Louisiana Federation of Families for Children's Mental Health, Inc. | | | | | |
| Respite (PROPS) Alexandria | 93.958 | 521061 | 07/01/97 - 06/30/98 | 14,200 | 11,372 |
| Passed through the State of Louisiana Department of Social Services | | | | | |
| * Family Preservation | 93.667 | 507835 | 07/01/97 - 06/30/98 | 147,867 | 147,867 |
| * Family Preservation - Central Louisiana | 93.667 | 507833 | 07/01/97 - 06/30/98 | 138,780 | 138,780 |
| * Family Reunification | 93.667 | 521739 | 07/01/97 - 06/30/98 | 48,360 | 48,360 |
| * Family Reunification - Central Louisiana | 93.667 | 526402 | 07/01/97 - 06/30/98 | 60,000 | 59,000 |
| Project Independence - Job Readiness | 93.561 | 515306 | 07/01/97 - 06/30/98 | 36,477 | 49,629 |
| * Family Resource Center | 93.656 | 513806 | 11/01/96 - 08/31/97 | 108,157 | 134,761 |
| * Family Resource Center | 93.656 | 513806 | 09/01/97 - 08/31/98 | 178,778 | 165,254 |
| * Children's Cabinet | 93.656 | 516570 | 05/01/97 - 08/31/97 | 7,500 | 4,148 |
| * Children's Cabinet | 93.656 | 524873 | 10/01/97 - 08/31/98 | 7,500 | 5,277 |
| * Homemaker/Parent Aide | 93.667 | 507826 | 07/01/97 - 06/30/98 | 30,000 | 29,999 |
| U. S. Department of Labor | | | | | |
| Passed through City of Shreveport, Louisiana | | | | | |
| Project Hope - JTPA | 17.246 - .250 | K7005 | 10/01/97 - 06/10/98 | 62,000 | 62,000 |
| Project Hope - JTPA | 17.246 - .250 | E7003 | 06/12/97 - 09/30/97 | 25,286 | 15,287 |
| Summer Program (Title II-B) | 17.246 - .250 | E8012 | 06/11/98 - 07/31/98 | 25,000 | 10,350 |
| U. S. Department of Housing and Urban Development | | | | | |
| Passed through Shreveport Housing Authority | | | | | |
| Lighthouse Preschool - Wilkinson Terrace | 14.859 | N/A | 10/01/96 - 09/30/97 | 17,500 | 1,451 |
| Lighthouse Preschool - Wilkinson Terrace | 14.859 | N/A | 10/01/97 - 09/30/98 | 17,500 | 15,916 |
| Lighthouse Preschool - Jackson Heights | 14.859 | N/A | 10/01/96 - 09/30/97 | 17,500 | 1,348 |
| Lighthouse Preschool - Jackson Heights | 14.859 | N/A | 10/01/97 - 09/30/98 | 17,500 | 15,882 |
| Community Development Block Grants | | | | | |
| Lighthouse - Project Hope | 14.218 | K6003 | 03/01/97 - 12/31/97 | 30,000 | 30,000 |
| Lighthouse - Preschool | 14.218 | K6003 | 03/01/97 - 12/31/97 | 15,000 | 13,600 |
| Lighthouse - Afterschool | 14.218 | K6003 | 03/01/97 - 12/31/97 | 15,000 | 15,000 |
| Lighthouse - Special Services | 14.218 | K6003 | 03/01/97 - 12/31/97 | 15,000 | 15,000 |
| Lighthouse - Project Hope | 14.218 | K6003 | 01/05/98 - 12/31/98 | 30,000 | - |
| Lighthouse - Preschool | 14.218 | K6003 | 01/05/98 - 12/31/98 | 15,000 | 1,050 |
| Lighthouse - Afterschool | 14.218 | K6003 | 01/05/98 - 12/31/98 | 15,000 | 6,475 |
| Lighthouse - Special Services | 14.218 | N/A | 01/05/98 - 12/31/98 | 15,000 | - |
| U. S. Department of Justice-Office of Justice Programs | | | | | |
| Juvenile Justice and Delinquency | | | | | |
| Prevention, Juvenile Mentoring Program | 16.726 | 97-JG-FX-0048 | 04/01/97 - 03/31/98 | 189,999 | 30,914 |
| State Department of Education | | | | | |
| Region VI Behavior Management Interventionist Program | 84.027 | 98-D-R9 | 10/01/97 - 06/30/98 | 34,997 | 29,752 |
| | | | | <u>\$ 1,661,851</u> | <u>\$ 1,383,994</u> |

* Denotes a major program

**Volunteers of America of North Louisiana
National Administrative Fees
Calculation Form
For the Year Ended June 30, 1998**

Round all calculations to the nearest dollar

| | | | | |
|--|-----------------------------|----------------------|----------------------------------|----------------|
| 1. TOTAL ACCRUAL REVENUE FROM THE CONSOLIDATED STATEMENT (ATTACH CONSOLIDATED STATEMENT OF REVENUES AND EXPENDITURES) | <u>4,643,058</u> | | | |
| 1A. TOTAL ACCRUAL REVENUE FROM 811 AND 202 CORPORATIONS (LOCALLY-MANAGED 811 AND 202 CORPORATIONS NOT CONSOLIDATED) | <u>357,441</u> | | | |
| 1B. LESS: REVENUE RECOGNIZED FROM PLEDGES | <u> </u> | | | |
| 1C. PLUS: CASH RECEIVED FROM PLEDGES (PLEDGE REVENUE PLUS PLEDGES RECEIVABLE LAST YEAR LESS PLEDGES RECEIVABLE THIS YEAR) | <u> </u> | | | |
| 2. LESS: ALLOWABLE EXCLUSIONS | <u> </u> | | | |
| EXPLANATION OF EACH EXCLUSION | | | | |
| A. DUPLICATED REVENUES | N/A | | | |
| B. IN-KIND REVENUES | 5,934 | | | |
| C. CAPITAL CONTRIBUTIONS/GRANTS | 36,250 | | | |
| D. CUSTODIAL/THIRD-PARTY FUNDS | 466 | | | |
| E. PROHIBITED BY CONTRACT (LIST EACH ON BACK) | - | | | |
| F. COST OF MERCHANDISE PURCHASED FOR RESALE | - | | | |
| G. ONE-TIME RESTRICTED GRANTS/CONTRIBUTIONS | 157,207 | | | |
| H. PRE-EXISTING PROGRAM SERVICES | - | | | |
| I. SUBSIDIZED HOUSING OF 40 UNITS OR LESS | 357,441 | | | |
| J. ENDOWMENT FUND CONTRIBUTIONS/EARNINGS | 2,571 | | | |
| K. INVESTMENT EARNINGS/NET CAPITAL GAINS | 18,582 | | | |
| 3. TOTAL ALLOWABLE EXCLUSIONS | <u>(578,451)</u> | | | |
| 4. ADJUSTED REVENUE (Lines 1 + 1A - 2) | <u>4,064,607</u> | | | |
| 5. CALCULATE NATIONAL MANAGEMENT FEES FROM TABLE BELOW: | | | | |
| If Adjusted Revenue is: | | | | |
| GREATER THAN | AND LESS THAN | YOUR FEES ARE | PLUS | |
| \$0 | \$5,000,000 | BASE | PLUS | |
| | | \$0 | 3% OF LINE 4 | <u>121,938</u> |
| \$5,000,001 | \$10,000,000 | \$150,000 | 2.5% OF EXCESS OVER \$5 MILLION | |
| \$10,000,001 | \$15,000,000 | \$275,000 | 2.0% OF EXCESS OVER \$10 MILLION | |
| \$15,000,001 | \$20,000,000 | \$375,000 | 1.5% OF EXCESS OVER \$15 MILLION | |
| \$20,000,001 | \$25,000,000 | \$450,000 | 1.0% OF EXCESS OVER \$20 MILLION | |
| \$25,000,001 | \$30,000,000 | \$500,000 | 0.5% OF EXCESS OVER \$25 MILLION | |
| \$30,000,001 | no limit | \$525,000 | 0% | |
| 6. NATIONAL ADMINISTRATIVE FEES FROM ABOVE TABLE | <u>121,938</u> | | | |
| 7. AMOUNT DUE TO NATIONAL OFFICE | <u>7,110</u> | JUNE 30, 1997 | | |
| 8. TOTAL CASH PAYMENTS TO NATIONAL OFFICE FY 1998 | <u>100,364</u> | | | |
| 9. AMOUNT DUE TO NATIONAL OFFICE (Lines 6+7-8) | <u>28,684</u> | JUNE 30, 1998 | | |

ROBERTS, CHERRY & COMPANY
Certified Public Accountants, Consultants

Independent Auditor's Report

To the Board of Directors of
Volunteers of America of North Louisiana
Shreveport, Louisiana

We have audited the accompanying statement of financial position of Volunteers of America of North Louisiana as of June 30, 1998, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Volunteers of America of North Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Volunteers of America of North Louisiana 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 our report dated October 23, 1998 on our consideration of Volunteers of America of North Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Volunteers of America of North Louisiana taken as a whole. The accompanying schedule of expenditures of federal awards and national administrative fees calculation form are 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 the Volunteers of America and are 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.

ROBERTS, CHERRY AND COMPANY

ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
October 23, 1998

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

To the Board of Directors of
Volunteers of America of North Louisiana
Shreveport, Louisiana

We have audited the financial statements of Volunteers of America of North Louisiana as of and for the year ended June 30, 1998, and have issued our report thereon dated October 23, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Volunteers of America of North Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Volunteers of America of North Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Volunteers of America of North Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 98-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition (Item 98-01) described above is considered a material weaknesses.

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

ROBERTS CHERRY AND COMPANY

ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
October 23, 1998

ROBERTS, CHERRY & COMPANY

Certified Public Accountants, Consultants

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

To the Board of Directors of
Volunteers of America of North Louisiana
Shreveport, Louisiana

Compliance

We have audited the compliance of Volunteers of America of North Louisiana 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. Volunteers of America of North Louisiana'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 Volunteers of America of North Louisiana's management. Our responsibility is to express an opinion on Volunteers of America of North Louisiana's compliance based on our audit.

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

In our opinion, Volunteers of America of North Louisiana 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 Volunteers of America of North Louisiana is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Volunteers of America of North Louisiana'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.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Volunteers of America of North Louisiana's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 98-02.

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. Our 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 that are also considered to be material weaknesses. However we do not believe the reportable condition 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.

ROBERTS CHERRY AND COMPANY
ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
October 23, 1998

Volunteers of America of North Louisiana

Shreveport, Louisiana

Schedule of Findings and Questioned Costs

June 30, 1998

Section 1 – Summary of Auditor's Results

Financial Statements

| | |
|--|-------------|
| Type of auditor's report issued: | Unqualified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | Yes |
| Reportable conditions identified not considered to be material weaknesses? | None noted |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|---|-------------|
| Internal Control over major programs: | |
| Material weaknesses identified? | No |
| Reportable conditions identified not considered to be material weaknesses? | Yes |
| Type of auditor's report issued on compliance for major programs: | Unqualified |
| Any audit findings disclosed in accordance with OMB Circular A-133, Section 510(a)? | Yes |

Identification of major programs:

| | |
|--------|--|
| 93.667 | Social Services Block Grant passed through from the State of Louisiana Department of Social Services in five separate programs, including Family Preservation, Family Preservation – Central Louisiana, Family Renunification, Family Reunification – Central Louisiana and Homemaker / Parent Aide. |
| 93.656 | Temporary Child Care and Crisis Nurseries passed through the State of Louisiana Department of Social Services in two separate programs, including Family Resource Center and Rapides Children Cabinet. |

| | |
|--|-----------|
| Dollar threshold used to distinguish between Type A And Type B programs: | \$300,000 |
|--|-----------|

| | |
|--|-----|
| Auditee qualified as low-risk auditee? | Yes |
|--|-----|

Section II – Financial Statement Findings

PRIOR YEAR FINDINGS

None

CURRENT YEAR FINDINGS

| Finding No. | Finding | CFDA No. | Questioned Costs |
|-----------------------------|--|-------------------|------------------|
| 98-01 | <p>Condition – Improper supervision and guidance on accounting and reporting issues led to delays in relevant and accurate financial reporting to the board and auditors.</p> <p>Criteria – Proper supervision and guidance for accounting personnel is imperative for accurate and meaningful financial reporting.</p> <p>Effect – Billings were not recorded timely, accounts payable were not identified and recorded on the general ledger, bank reconciliations were not prepared timely and accurately and payments on billings were not accurately posted to the respective accounts. Due to these and other problems noted during the audit, significant time was required to analyze and adjust the accounting records.</p> <p>Cause – Turnover in key accounting employees during the year and the absence of quality supervision of other accounting personnel led to this condition.</p> <p>Recommendation – We recommend management employ an experienced accounting supervisor. This person is responsible to ensure that proper procedures are being followed and to provide the Board of Directors and funding sources accurate financial information on a timely basis. We also recommend the Board of Directors, specifically the Finance Committee, take a more proactive role in monitoring the books and records, focusing on the areas enumerated above.</p> <p>Management's Response – Volunteers of America of North Louisiana agrees with this finding and to correct the situation, the agency recently made three changes in accounting office personnel. Management recently hired an experienced controller to supervise the accounting office, re-employed the supervisor of accounts receivables who left VOA in August, and we employed a new payroll clerk.</p> | 93.667, 93.656 | \$0 |
| Subtotal – Questioned Costs | | | \$0 |

Section III – Federal Award Findings and Questioned Costs

| | | |
|-------|---|-------------------|
| 98-02 | <p>Condition – Finance office did not identify federal awards and expenditures as evidenced by the timely completion of the schedule of federal awards.</p> <p>Criteria – OMB Circular A-133 requires management to identify all federal awards received and expended and the federal program under which these awards were received.</p> <p>Effect – Failure to adequately identify federal awards and expenditures can seriously hinder management's compliance</p> | 93.667, 93.656 |
|-------|---|-------------------|

with grant and funding requirements.

Cause – Turnover in key accounting employees during the year and the absence of quality supervision of other accounting personnel led to this condition.

Recommendation – We recommend the Organization modify their accounting system to allow tracking of all federal awards received, the related amounts collected, due and expended. Since the determination of major programs is done by the Catalog for Domestic Assistance (CFDA) number, the tracking information will need to ensure that the current CFDA number is obtained for each federal program the Organization participates in.

Management's Response – Management agrees with this finding and ensures that steps will be taken so that the accounting system is updated to allow adequate tracking of all federal funds received and expended.

Subtotal – Questioned Costs

\$0



Volunteers of America
North Louisiana

Volunteers of America
North Louisiana
360 Jordan Street
Shreveport, Louisiana 71101
318.221.2669 Phone
318.222.6370 Fax
www.voanorthla.com

**MANAGEMENT'S RESPONSE
and CORRECTIVE ACTION PLAN
For the year ended June 30, 1998**

Charles Meehan
CEO/President

FINDING 98-01

Volunteers of America of North Louisiana agrees with this finding and to correct the situation the agency recently made three changes in accounting office personnel. Management recently hired a Controller to supervise the accounting office functions, the agency re-employed the supervisor of accounts receivables who left VOA in August, and the agency employed a new payroll clerk. In addition, meetings are scheduled with the Treasurer of the Board of Directors to review corrective action taken and decide on reports to be provided to the Finance Committee and Board.

Anticipated completion date: Ongoing
Responsible party: CEO and Controller

FINDING 98-02

Management agrees with this finding and ensures that steps will be taken so that the accounting system is updated to allow adequate tracking of all federal funds received and expended. Management will make arrangements with the National VOA's Controller to provide technical assistance to our local agency regarding this issue.

Anticipated completion date: 3/31/99
Responsible party: CEO and Controller

Response to Management Letter Comments

Employee File Documentation

Management agrees with this finding and to correct this situation our human resource assistant will review all personnel files to determine which employees have not completed an Employment Eligibility Verification (Form I-9).

Anticipated completion date: 2/1/99
Responsible party: CEO and Human Resource Assistant

Asset Capitalization Policy

Management agrees with this finding and will have the Controller review the capitalization policy in order to properly record all future expenditures for land, building and equipment in excess of \$1,000 to property and equipment and to make any necessary corrections.

Anticipated completion date: 3/31/99
Responsible party: CEO and Controller

Board of Directors
Chris Gabriel, Chair
Winnie Vance Antoine
Todd Burns
Kathy Butler
Vonda Clark
John Coleman
Robert Dean

Sharon Doyle
Kenna Franklin
Debbie Grand
Celeste Hamm
Sara Herrington
Michael Kantrow
John Kinnebrew
Rev. Clifford McLain

Yvonne Mitchell
David Montgomery, Jr.
Sydney Nelson
Faye Simpson
Belinda Sloan
Ivan Smith, Jr.
Robert Smitherman
Rev. Pike Thomas

Arthur L. Walker
Dr. Donald A. Webb
Dr. Jim Westphal
Mike Whitehead
Pat Yates



ROBERTS, CHERRY & COMPANY
Certified Public Accountants, Consultants

To the Board of Directors of
Volunteers of America of North Louisiana
Shreveport, Louisiana

In planning and performing our audit of the financial statements of Volunteers of America of North Louisiana for the year ended June 30, 1998, we considered its internal control structure 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 structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, 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.

Following are the reportable conditions noted:

Improper Supervision on Accounting and Reporting Issues

A lack of supervision and guidance of accounting and reporting issues led to delays in the preparation of relevant and accurate financial information which caused incomplete, and improper recording of accounting information, resulted in incomplete reporting to the board of directors and records furnished to the Organization's auditors

Due to the condition noted above, billings of granting and funding sources were not prepared, rendered or recorded timely, accounts payable were not identified and recorded on the general ledger in proper periods, bank reconciliations were not prepared timely or accurately, payroll tax deposit was not timely paid, and payments on billings were posted more than once, inappropriately, or not posted to the respective accounts at all. These problems have required significant time to analyze and adjust the accounting records. We also experience numerous delays in obtaining accurate summaries of various account analyses and supporting schedules and reports which should have been readily available by the fiscal officer.

Adequate supervision and guidance of accounting staff personnel is imperative for the development of accurate underlying records prepared on a timely bases which will ensure meaningful financial reporting. Normally, that supervision is provided by the senior fiscal officer. However, the issues that developed and are described herein were exacerbated by the fiscal officer.

We recommend management employ experienced accounting supervisors. This person is responsible to ensure that proper procedures are being followed and to provide the Board of Directors and funding sources accurate financial information on a timely basis. We also recommend the Board of Directors, specifically the Finance Committee, take a more proactive role in monitoring the books and records, focusing on the areas enumerated above.

Monitoring and Identifying Federal Funds

The Organization's finance office did not identify federal awards and expenditures as evidenced by the timely completion of the schedule of expenditures of federal awards. OMB Circular A-133 requires that management identify all federal awards received, the amounts collected and the amounts expended by the federal program under which these awards were received.

We recommend the Organization modify their accounting system to allow tracking of all federal awards received the related amounts collected, due and expended. Since the determination of major programs is done by the Catalog for Domestic Assistance (CFDA) number, the tracking information will need to ensure that the current CFDA number is obtained for each federal program the Organization participates in.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as define above. However, of the reportable conditions noted above, only the first one is considered to be 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.

During our audit we became aware of the following matters which are not considered to be reportable conditions but opportunities for strengthening internal controls and operating efficiency. (We previously reported on the Organization's internal control in our report dated October 23, 1998.) This letter does not affect our report dated October 23, 1998, on the financial statements of Volunteers of America of North Louisiana.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and 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:

Employee File Documentation

During our test of controls procedures over payroll transactions, we noted several employee files that did not have the Employment Eligibility Verification (Form I-9) completed. The Organization is required by law to have a completed I-9 for all employees hired after November 6, 1986. Several employee files reviewed only had copies of driver's licenses and/ or social security cards. Employees were under the impression these documents were sufficient to satisfy verification of eligibility of individuals for employment.

Recommendation: *We recommend management ensure procedures are in place to ensure personnel department obtains the completed I-9 form for all new employees. We also recommend that they photocopy any documents that are used to verify identity and employment eligibility.*

We also recommend personnel supervisor review all applicable employee files for uncompleted I-9 forms and ensure all are completed with the photocopies of documents used to verify identity and employment eligibility.

Asset Capitalization Policy

We noted that the Organization is not following their asset capitalization policy. We noted ten expenditures made during the fiscal year that should have been recorded to property and equipment. Management has an established policy to capitalize all expenditures for land, building and equipment in excess of \$1,000.

Recommendation: We recommend that the management review their capitalization policy and take steps to ensure that all expenditures which should be capitalized are properly recorded.

Conclusion

We would like to take this opportunity to express our appreciation for the assistance and courtesy extended to us by the personnel at Volunteers of America of North Louisiana during our audit. We appreciate the opportunity to present these comments for your consideration and we will be glad to discuss them with you at your convenience. This report is intended solely for the information and use of the Board of Directors, management, and others within the Organization.

ROBERTS, CHERRY AND COMPANY
ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
October 23, 1998