

89 2 11:50

**OFFICIAL  
FILE COPY**  
**DO NOT SEND OUT**  
(Xerox necessary  
copies from this  
copy and PLACE  
BACK in FILE)

**BRIDGE HOUSE CORPORATION**  
**NEW ORLEANS, LOUISIANA**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997**

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 7-28-99

**Ericksen, Krentel, Canton & LaPorte, I**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULT.**  
4227 Canal Street  
New Orleans, Louisiana 70119

**CONTENTS**

	<b><u>Page</u></b>
<b><u>INDEPENDENT AUDITORS' REPORT</u></b> .....	1 - 2
 <b><u>FINANCIAL STATEMENTS:</u></b>	
Exhibit "A" Statements of Financial Position.....	3
Exhibit "B" Statements of Activities.....	4
Exhibit "C" Statements of Cash Flows.....	5
Exhibit "D" Statements of Functional Expenses .....	6 - 7
Notes to Financial Statements .....	8 - 13
 <b><u>SUPPLEMENTARY INFORMATION</u></b>	
Schedule "1" Schedule of Expenditures of Federal Awards .....	14

# Ericksen, Krentel, Canton & LaPorte, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

4227 CANAL STREET  
TELEPHONE (504) 486-7275

NEW ORLEANS, LOUISIANA 70119-5996

FAX (504) 482-2516 E-Mail ekcl@ekclcpa.com

FABIO J. CANTON\*  
JAMES E. LAPORTE\*  
RICHARD G. MUELLER  
RONALD H. DAWSON, JR.\*  
KEVIN M. NEYREY  
CLAUDE M. SILVERMAN\*  
KENNETH J. ABNEY\*  
W. ERIC POWERS

\*PROFESSIONAL CORPORATION

BENJAMIN J. ERICKSEN (Retired 1998)  
J.V. LECLERE KRENTTEL (Retired 1993)  
RONALD H. ACKERMANN (Retired 1995)

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Bridge House Corporation  
1160 Camp Street  
New Orleans, Louisiana 70130

We have audited the accompanying statements of financial position of Bridge House Corporation (a non-profit organization) as of December 31, 1998 and 1997, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards, the *Louisiana Governmental Audit Guide* 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 audits provide 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 Bridge House Corporation as of December 31, 1998 and 1997, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Bridge House Corporation taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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.

To the Board of Directors  
Bridge House Corporation  
June 7, 1999  
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 1999, on our consideration of Bridge House Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

June 7, 1999

  
Certified Public Accountants

**BRIDGE HOUSE CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
<b><u>ASSETS:</u></b>		
Cash and cash equivalents	\$ 436,287	\$ 365,517
Accounts receivable	178,186	95,739
Prepaid expenses	30,244	22,351
Inventories	120,474	-
Investments	3,343	2,252
Land, buildings, and equipment - at cost, less accumulated depreciation of \$357,148 in 1998 and \$299,101 in 1997	<u>463,781</u>	<u>316,881</u>
Total assets	<u>\$ 1,232,315</u>	<u>\$ 802,740</u>
<b><u>LIABILITIES:</u></b>		
Accounts payable and accrued expenses	\$ 125,301	\$ 34,617
Refundable advances	15,307	-
Deposits payable	10,700	-
Notes payable:		
Current portion	24,240	10,081
Long-term portion	<u>114,309</u>	<u>69,535</u>
Total liabilities	<u>289,857</u>	<u>114,233</u>
<b><u>NET ASSETS:</u></b>		
Unrestricted	<u>942,458</u>	<u>688,507</u>
Total net assets	<u>942,458</u>	<u>688,507</u>
Total liabilities and net assets	<u>\$ 1,232,315</u>	<u>\$ 802,740</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**BRIDGE HOUSE CORPORATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997**

	1998	1997
<b><u>UNRESTRICTED NET ASSETS</u></b>		
<b><u>Public Support:</u></b>		
Contributions	\$ 1,371,206	\$ 918,900
State of Louisiana contracts	292,465	219,368
Veterans Administration contracts	144,360	146,460
FEMA Grant	3,315	3,381
City of New Orleans contract	5,000	5,000
Food stamps	47,692	33,720
Innovative Homeless Program contracts	35,855	32,460
Supportive Housing contracts	267,228	194,675
Epidemiological Research Studies of AIDS and HIV Infection contract	5,225	3,311
Christian Health Ministries contract	78,788	-
Total unrestricted public support	2,251,134	1,557,275
<b><u>Other Revenue:</u></b>		
Client service fees	144,619	123,561
Vending	26,455	25,466
Thrift stores and auto sales	742,445	471,275
Cost of goods sold	(742,445)	(471,275)
Other income	8,622	10,902
Total unrestricted other revenue	179,696	159,929
Total unrestricted public support and unrestricted other revenue	2,430,830	1,717,204
<b><u>Expenses:</u></b>		
Program services	1,836,972	1,297,508
Supporting services:		
Management and general	127,609	117,693
Fund raising	212,298	191,222
Total supporting services	339,907	308,915
Total expenses	2,176,879	1,606,423
Change in unrestricted net assets	253,951	110,781
Net assets, beginning of year	688,507	577,726
Net assets, end of year	\$ 942,458	\$ 688,507

See accompanying NOTES TO FINANCIAL STATEMENTS

**BRIDGE HOUSE CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Change in net assets	\$ 253,951	\$ 110,781
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	58,047	47,324
Donated investments included in support	(1,091)	(1,058)
Bad debts	1,035	-
(Increase) decrease in accounts receivable	(83,482)	11,661
(Increase) decrease in prepaid expenses	(7,893)	286
(Increase) decrease in inventory	(120,474)	-
Increase (decrease) in accounts payable and accrued expenses	90,684	2,806
Increase (decrease) in refundable advances	15,307	-
Increase (decrease) in deposits payable	<u>10,700</u>	<u>-</u>
Net cash provided by operating activities	<u>216,784</u>	<u>171,800</u>
<b><u>CASH FLOWS USED BY INVESTING ACTIVITIES:</u></b>		
Purchases of furniture, fixtures, and equipment	<u>(131,830)</u>	<u>(53,125)</u>
Net cash used by investing activities	<u>(131,830)</u>	<u>(53,125)</u>
<b><u>CASH FLOWS USED BY FINANCING ACTIVITIES:</u></b>		
Principal payments on notes payable	<u>(14,184)</u>	<u>(15,122)</u>
Net cash used by financing activities	<u>(14,184)</u>	<u>(15,122)</u>
Net increase in cash and cash equivalents	70,770	103,553
Cash and cash equivalents at beginning of period	<u>365,517</u>	<u>261,964</u>
Cash and cash equivalents at end of period	<u>\$ 436,287</u>	<u>\$ 365,517</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**BRIDGE HOUSE CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 1998**

	Program Services	Supporting Services		Total
		Management and General	Fund Raising	
Salaries	\$ 767,311	\$ 115,048	\$ 115,048	\$ 997,407
Payroll taxes	63,533	9,526	9,526	82,585
<b>Total salaries and related expenses</b>	<b>830,844</b>	<b>124,574</b>	<b>124,574</b>	<b>1,079,992</b>
Client allotments	-	3,035	-	3,035
Fund raising	-	-	87,724	87,724
Vending machines	17,075	-	-	17,075
Food	66,789	-	-	66,789
Professional services	100,346	-	-	100,346
Utilities	106,286	-	-	106,286
Telephone	28,811	-	-	28,811
Rent	197,793	-	-	197,793
Travel	35,370	-	-	35,370
Office	37,947	-	-	37,947
Insurance	86,836	-	-	86,836
Household supplies	27,980	-	-	27,980
Auto	45,466	-	-	45,466
Maintenance and repairs	73,595	-	-	73,595
Program cost	54,524	-	-	54,524
Client reimbursements	8,882	-	-	8,882
Interest	9,143	-	-	9,143
Licenses and taxes	4,933	-	-	4,933
Thrift stores expenses	46,305	-	-	46,305
<b>Total expenses before depreciation</b>	<b>1,778,925</b>	<b>127,609</b>	<b>212,298</b>	<b>2,118,832</b>
Depreciation of building and equipment	58,047	-	-	58,047
<b>Total expenses</b>	<b>\$ 1,836,972</b>	<b>\$ 127,609</b>	<b>\$ 212,298</b>	<b>\$ 2,176,879</b>

See accompanying NOTES TO FINANCIAL STATEMENTS



**BRIDGE HOUSE CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 1997**

	Program Services	Supporting Services		Total
		Management and General	Fund Raising	
Salaries	\$ 551,518	\$ 107,017	\$ 107,017	\$ 765,552
Payroll taxes	48,216	9,356	9,356	66,928
Total salaries and related expenses	599,734	116,373	116,373	832,480
Client allotments	-	1,320	-	1,320
Fund raising	-	-	74,849	74,849
Vending machines	16,702	-	-	16,702
Food	59,902	-	-	59,902
Professional services	9,494	-	-	9,494
Utilities	96,768	-	-	96,768
Telephone	18,275	-	-	18,275
Rent	139,388	-	-	139,388
Travel	25,783	-	-	25,783
Office	21,446	-	-	21,446
Insurance	69,012	-	-	69,012
Household supplies	23,292	-	-	23,292
Auto	40,706	-	-	40,706
Maintenance and repairs	63,237	-	-	63,237
Program cost	53,877	-	-	53,877
Interest	7,603	-	-	7,603
Licenses and taxes	4,965	-	-	4,965
Total expenses before depreciation	1,250,184	117,693	191,222	1,559,099
Depreciation of building and equipment	47,324	-	-	47,324
Total expenses	\$ 1,297,508	\$ 117,693	\$ 191,222	\$ 1,606,423

See accompanying NOTES TO FINANCIAL STATEMENTS

**BRIDGE HOUSE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 AND 1997**

**(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Bridge House Corporation (Bridge House) is a non-profit corporation organized to provide treatment and long-term residential aftercare for individuals with drug and alcohol addictions in the greater New Orleans area. Bridge House is supported primarily through donor contributions, thrift store sales, and governmental contracts.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

**Use of 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.

**Cash Equivalents**

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

**Restricted Cash**

Included in cash and cash equivalents is \$15,307 of cash held in a checking account, which is restricted for payment of refundable advances.

**Inventories**

Inventories are stated at the lower of cost or for donated items at fair market value at the date of donation.

**Fixed Assets**

Bridge House follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings	30	Years
Furniture, fixtures and equipment	5-15	Years
Building improvements	7-30	Years
Leasehold improvements	27.5	Years
Automobiles	5-7	Years
Computer software	3	Years

**BRIDGE HOUSE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 1998 AND 1997**

**(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fixed Assets (Continued)**

Donations of property and equipment are recorded as support at their estimated fair value. 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.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Restricted and Unrestricted Contributions**

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restrictions expire in the reporting period 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.

**Donated Materials and Services**

Donated materials are reflected as contributions in the accompanying statements at their estimated values at date of receipt. No amounts have been reflected in the statements for donated services in as much as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the organization's program services and in its fund-raising campaigns.

**Functional Expenses**

Expenses are charged to each program based on direct expenditures incurred. Any expenditures not directly chargeable are allocated to a program based on related salary expenses.

**BRIDGE HOUSE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 1998 AND 1997

**(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Tax Status**

Bridge House is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950. However, income from certain activities not directly related to the organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

**Advertising**

Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received. Advertising expense for the year ended December 31, 1998 and 1997 was \$32,169 and \$1,659, respectively.

**Reclassifications**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

**(2) STATEMENT OF CASH FLOWS SUPPLEMENTARY DISCLOSURES**

Supplemental disclosures of cash flow information:

Cash paid during the year for:

	1998	1997
Interest	\$ 9,143	\$ 7,603

Non-cash investing and financing activities in 1998 consist of financing the cost of acquiring three vehicles through a long-term note of \$23,245 payable to Ford Credit and a long-term note of \$49,872 payable to Hibernia National Bank.

**(3) CONTRACTS**

Bridge House recognizes revenue arising from contracts with the State of Louisiana - Department of Health and Hospitals and Unity for the Homeless, Inc. Terms of the contracts provide for reimbursement of certain program costs up to specified maximum amounts or on a per diem basis for each patient in the program.

In addition, Bridge House maintains several contracts with various Veteran's Administration districts whereby revenue is received on a per diem basis for each patient in the program.

No allowance has been made for uncollectible receivables as it has been Bridge House's experience that all contracts are collected in full.

**BRIDGE HOUSE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 1998 AND 1997

**(4) INVENTORIES**

Inventories at December 31, 1998 and 1997 consist of:

	1998	1997
Thrift store items	\$ 19,132	\$ -
Used cars	47,342	-
Real property	54,000	-
	<u>\$ 120,474</u>	<u>\$ -</u>

**(5) FIXED ASSETS AND DEPRECIATION**

The cost of such assets at December 31, 1998 and 1997 are as follows:

	1998	1997
Land and buildings	\$ 163,000	\$ 163,000
Furniture, fixtures and equipment	351,812	261,130
Building improvements	104,293	87,350
Leasehold improvements	26,340	4,360
Automobiles	164,029	88,687
Computer software	11,455	11,455
	820,929	615,982
Less accumulated depreciation	(357,148)	(299,101)
	<u>\$ 463,781</u>	<u>\$ 316,881</u>

Depreciation expense for the year ended December 31, 1998 and 1997 was \$58,047 and \$47,324, respectively.

**(6) NOTES PAYABLE**

Notes payable at December 31, 1998 and 1997 consisted of the following:

1998		1997	
Due Within One Year	Due After One Year	Due Within One Year	Due After One Year

Note payable to Amresco Management, Inc., as receiver for American Savings and Loan Association, secured by 1<sup>st</sup> mortgage on property located at 1141 Prytania Street, New Orleans, Louisiana. Payable in monthly installments of \$1,217 which includes principal and interest. Interest is variable, currently at 9% and the note matures June 30, 2005.

	\$ 7,613		\$ 62,152		\$ 8,390		\$ 69,535
--	----------	--	-----------	--	----------	--	-----------

**BRIDGE HOUSE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 1998 AND 1997

**(6) NOTES PAYABLE (CONTINUED)**

	<u>1998</u>		<u>1997</u>	
	<u>Due Within One Year</u>	<u>Due After One Year</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
Note payable to General Motors Acceptance Corporation, secured by 1994 Chevrolet truck. Payable in monthly installments of \$573 which includes principal and interest. Interest accrues at 10.50% and the note matured April 7, 1998.	-	-	1,691	-
Note payable to Ford Credit, secured by 1998 Ford van. Payable in monthly installments of \$559 which includes principal and interest. Interest accrues at 7.25% and the note matures June 30, 2002.	5,396	15,305	-	-
Note payable to Hibernia National Bank, secured by two 1998 Ford vans. Payable in monthly installments of \$1,208 which includes principal and interest. Interest accrues at 7.5% and the note matures October 19, 2002.	<u>11,231</u>	<u>36,852</u>	-	-
	<u>\$ 24,240</u>	<u>\$ 114,309</u>	<u>\$ 10,081</u>	<u>\$ 69,535</u>

Following are maturities of notes payable for each of the next five years:

1999	\$ 24,240
2000	26,930
2001	29,148
2002	25,710
2003	<u>11,728</u>
	<u>\$ 117,756</u>

Interest costs incurred and charged to expense for the years ended December 31, 1998 and 1997 was \$9,143 and \$7,603, respectively.

**(7) LEASES**

Bridge House makes payments monthly for the use of treatment, housing, thrift store and used car facilities. Presently, Bridge House has short term and long term agreements with the owners of these properties. Short term arrangements could be terminated at the discretion of either party to the rental agreements. Long-term leases are noncancelable operating leases that expire at various dates through July 31, 2008. These leases generally contained renewal options for periods ranging from three to ten years. Rent expense for short and long-term leases for 1998 and 1997 was \$197,793 and \$139,388, respectively.

**BRIDGE HOUSE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 1998 AND 1997

**(7) LEASES (CONTINUED)**

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 1998 are:

Years ending December 31:

1999		\$	166,560
2000			163,380
2001			160,200
2002			160,200
2003			144,675
			144,675
		\$	795,015

**(8) COMMODITY ASSISTANCE**

Bridge House participated in the United States Department of Agriculture Food Distribution Program for the year ended December 31, 1998 and 1997. The program provides food commodities to Bridge House to use in the preparation of meals for clients of Bridge House. The value of the donated commodities was \$18,583 for the year ended December 31, 1998, and \$5,403 for the year ended December 31, 1997. These amounts are not listed as revenues or expenditures on the accompanying statement of activities.

**(9) CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject Bridge House to credit risk consist principally of trade receivables. Bridge House's policy is to not require these amounts to be collateralized.

Bridge House invests the majority of its excess cash in demand deposit accounts with federally insured financial institutions located in New Orleans, Louisiana. The bank balances of the Corporation's demand deposit accounts in these banks exceeded the \$100,000 federally insured limit by \$122,294 in 1998 and \$41,219 in 1997.

**(10) PRIOR PERIOD ADJUSTMENT**

Certain errors resulting in an understatement of previously reported contributions and costs of goods sold were discovered during the current year. Accordingly, an adjustment of \$471,275 was made to the 1997 statements increasing contributions and costs of goods sold. The correction has no effect on the results of the current or prior year's activities nor net assets reported.

**BRIDGE HOUSE CORPORATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 1998**

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Disbursements/ Expenditures
<b><u>Department of Housing and Urban Development</u></b>			
Unity for the Homeless, Inc. Supportive Housing Program	14.235	LA48B97-0207 LA48B95-0817C	\$ 125,005 *
Supportive Housing Program – Youth	14.235	LA48B96-1404	142,223 *
Supportive Housing Program – Innovative Homelessness	14.235	LA48B97-0202	<u>35,885 *</u>
Total U.S. Department of Housing and Urban Development			<u>303,083</u>
<b><u>OTHER FEDERAL AWARDS NON MAJOR PROGRAMS</u></b>			
<b><u>Department of Health and Human Services</u></b>			
Louisiana Department of Health and Hospitals, Office of Alcohol and Drug Abuse Health Center Grants for Homeless Populations	93.151	98-HLTH-007	5,000
Substance Abuse Treatment Conference Grant	93.218	64883/63757	135,975
Cooperative Agreements for Drug Abuse Treatment Improvement Projects in Target Cities	93.196	64783/62903	65,220
HIV Prevention Activities - Health Department Based	93.940	015634	56,984
Tulane University Medical Center Epidemiology Cooperative Agreements	93.231	U641CCU613329-03	5,225
<b><u>Federal Emergency Management Agency</u></b>			
United Way - City of New Orleans Emergency Food and Shelter National Board Program	83.523	16-3658-00-020E1	3,315
<b><u>U.S. Department of Agriculture</u></b>			
Louisiana Department of Agriculture Commodity Supplemental Food Program	10.565	-	<u>18,583</u>
Total			<u>\$ 593,385</u>

**\* Major Program**

Note: The schedule of expenditures of federal awards is a summary of the activity of Bridge House Corporation's federal award programs presented on the accrual basis of accounting in accordance with generally accepted accounting principles.



# Ericksen, Krentel, Canton & LaPorte, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

4227 CANAL STREET  
TELEPHONE (504) 486-7275

NEW ORLEANS, LOUISIANA 70119-5996

FAX (504) 482-2516 E-Mail ekcl@ekclcpa.com

FABIO J. CANTON\*  
JAMES E. LAPORTE\*  
RICHARD G. MUELLER  
RONALD H. DAWSON, JR.\*  
KEVIN M. NEYREY  
CLAUDE M. SILVERMAN\*  
KENNETH J. ABNEY\*  
W. ERIC POWERS

\* PROFESSIONAL CORPORATION

BENJAMIN J. ERICKSEN (Retired 1998)  
J.V. LECIERE KRENTEL (Retired 1993)  
RONALD H. ACKERMANN (Retired 1995)

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

Bridge House Corporation  
1160 Camp Street  
New Orleans, Louisiana 70130

We have audited the financial statements of Bridge House Corporation, as of and for the year ended December 31, 1998, and have issued our report thereon dated June 7, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Bridge House Corporation'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 Bridge House Corporation'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 a certain matter involving the internal control over financial reporting 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 financial reporting that, in our judgment, could adversely affect Bridge House Corporation's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 98-1.

Bridge House Corporation

June 7, 1999

Page 2

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, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of Bridge House Corporation in a separate letter dated June 7, 1999.

This report is intended for the information of management, the Louisiana Legislative Auditor and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

June 7, 1999

  
Certified Public Accountants

# Ericksen, Krentel, Canton & LaPorte, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

4227 CANAL STREET  
TELEPHONE (504) 486-7275

NEW ORLEANS, LOUISIANA 70119-5996

FAX (504) 482-2516 E-Mail ekcl@ekclcpa.com

FABIO J. CANTON\*  
JAMES E. LAPORTE\*  
RICHARD G. MUELLER  
RONALD H. DAWSON, JR.\*  
KEVIN M. NEYREY  
CLAUDE M. SILVERMAN\*  
KENNETH J. ABNEY\*  
W. ERIC POWERS

\*PROFESSIONAL CORPORATION

BENJAMIN J. ERICKSEN (Retired 1998)  
J.V. LECIERE KRENTEL (Retired 1993)  
RONALD H. ACKERMANN (Retired 1995)

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

Bridge House Corporation  
1160 Camp Street  
New Orleans, Louisiana 70130

### Compliance

We have audited the compliance of Bridge House Corporation, 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 December 31, 1998. Bridge House Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of Bridge House Corporation's management. Our responsibility is to express an opinion on Bridge House Corporation'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 Bridge House Corporation'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 Bridge House Corporation's compliance with those requirements.

In our opinion, Bridge House Corporation, 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 December 31, 1998.

Bridge House Corporation  
June 7, 1999  
Page 2

### Internal Control Over Compliance

The management of Bridge House Corporation, 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 Bridge House Corporation'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 certain matter involving the internal control over compliance and its operation that we consider to be 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 Bridge House Corporation's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 98-2.

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 believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of management, the Louisiana Legislative Auditor and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

June 7, 1999

  
Certified Public Accountants

**BRIDGE HOUSE CORPORATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 1998**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Bridge House Corporation.
2. One reportable condition disclosed during the audit of the financial statements is reported in the Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. The condition is not reported as a material weakness.
3. No instances of noncompliance material to the general financial statements of Bridge House Corporation were disclosed during the audit.
4. One reportable condition disclosed during the audit of the major federal award programs is reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133. The condition is not reported as a material weakness.
5. The auditors' report on compliance for the major federal award programs for Bridge House Corporation expresses an unqualified opinion on all major federal programs.
6. Audit findings relative to the major federal award programs for Bridge House Corporation are reported in this Schedule.
7. The programs tested as major programs were the Supportive Housing Programs (CFDA number 14.235).
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Bridge House Corporation was determined to be a low risk auditee.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**REPORTABLE CONDITION**

**98-1 Bank Reconciliations**

Condition: Monthly bank account reconciliations were not prepared on a timely basis for several of the bank accounts maintained by the Bridge House Corporation.

Criteria: Internal controls should be in place to safeguard assets and provide assurance that they are accurately reported.

**BRIDGE HOUSE CORPORATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 1998**

Effect: The failure to prepare bank account reconciliations on a timely basis could lead to reporting errors or defalcations not being identified or corrected on a timely basis.

Recommendation: Procedures should be implemented to insure that bank reconciliations are prepared on a timely basis each month.

Management's Response: Due to growth of the organization, personnel have been overburdened with the increased workload. Management has reassigned work duties and added personnel and the reconciliations will now be prepared on a timely basis.

**C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAM  
AUDIT**

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

**98-2 Supportive Housing Programs**

CFDA Number 14.235

Grant Number LA48 B97-0207, LA48 B95-0817C,  
LA48 B96-1404, LA48 B97-0202

Reportable Condition: As discussed at 98-1, bank account reconciliations were not prepared on a timely basis for the bank accounts used in the administration of the Supportive Housing Program. The failure to prepare bank account reconciliations on a timely basis could lead to reporting errors or defalcations not being identified or corrected on a timely basis. Procedures should be implemented to insure that bank reconciliations are prepared on a timely basis each month.

# Ericksen, Krentel, Canton & LaPorte, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

4227 CANAL STREET  
TELEPHONE (504) 486-7275

NEW ORLEANS, LOUISIANA 70119-5996

FAX (504) 482-2516 E-Mail ekcl@ekclcpa.com

FABIO J. CANTON\*  
JAMES E. LAPORTE\*  
RICHARD G. MUELLER  
RONALD H. DAWSON, JR.\*  
KEVIN M. NEYREY  
CLAUDE M. SILVERMAN\*  
KENNETH J. ABNEY\*  
W. ERIC POWERS

\*PROFESSIONAL CORPORATION

BENJAMIN J. ERICKSEN (Retired 1998)  
J.V. LECIERE KRENTEL (Retired 1993)  
RONALD H. ACKERMANN (Retired 1995)

June 7, 1999

To the Management and  
The Board of Directors of  
Bridge House Corporation

In planning and performing our audit of the financial statements of Bridge House Corporation for the year ended December 31, 1998, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments regarding those matters. A separate report dated June 7, 1999 contains our report on reportable conditions in the Bridge House Corporation's internal control structure. This letter does not affect our report dated June 7, 1999, on the financial statements of Bridge House Corporation.

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:

1. **Disbursement Processing**

The organization presently manually processes checks. The disbursement is then entered into the computer system and multiple photo copies of the check is made. Due to the growth of the organization this process has become inefficient. A better use of personnel would be for the checks to be processed through the computer system. In addition, multi-copy checks could be used to provide copies for needed purposes.

2. **Client Service Fees**

During the audit, it was noted that there are no consistent procedures being followed to identify which clients are paying client service fees. As a result, Bridge House Corporation could be losing service fees because fees are not being collected from all clients who are capable of paying or fees which are recorded into the accounting records can not be reconciled to fees collected. Management should develop a procedure that identifies all clients who pay service fees and create a log in which to document the fees collected which can be reconciled to accounting records.

To the Senior Management and  
The Board of Directors of  
Bridge House Corporation  
June 7, 1999  
Page 2

3. The Year 2000 Issue

The Year 2000 Issue results from the inability of a computer program to process year-date data accurately beyond the year 1999. Except in recently introduced year 2000 compliant programs, computer programs consistently have included abbreviated dates (that is, dates that excluded the first two digits of the year) with the assumption that those two digits would always be 19. Unless corrected, that shortcut may create widespread problems on January 1, 2000. On that date, some computer programs may recognize the date as January 1, 1900, and either process data incorrectly or stop processing it altogether.

The Year 2000 Issue may affect computer applications before January 1, 2000, when systems currently attempt to perform calculations into the year 2000. Furthermore, some computer programs use several dates in the year 1999 (such as 01/01/99, 09/09/99, and 12/31/99) to mean something other than the date. As systems process data using those dates, they may produce erratic results or stop functioning.

We recommend that you begin to take immediate steps to identify, modify, and test all systems that may be impacted by the Year 2000 Issue. In addition, you should monitor your progress to ensure compliance before systems begin to fail, which may be evident before January 1, 2000. If the organization fails to take timely and appropriate action, it may experience costly and significant computer program failures, which could prevent it from performing its routine processing activities. Depending on the extent of system failures, noncompliance could be catastrophic for the organization.

In addition, the organization should implement verification procedures to test the accuracy of information received from its vendors, service providers, bankers, customers, and other third-party entities with whom it exchanges date-dependent information to ensure that those entities also are year 2000 compliant. The organization should satisfy itself that its operations or cash flows will not be affected by problems in those entities relating to the Year 2000 Issue.

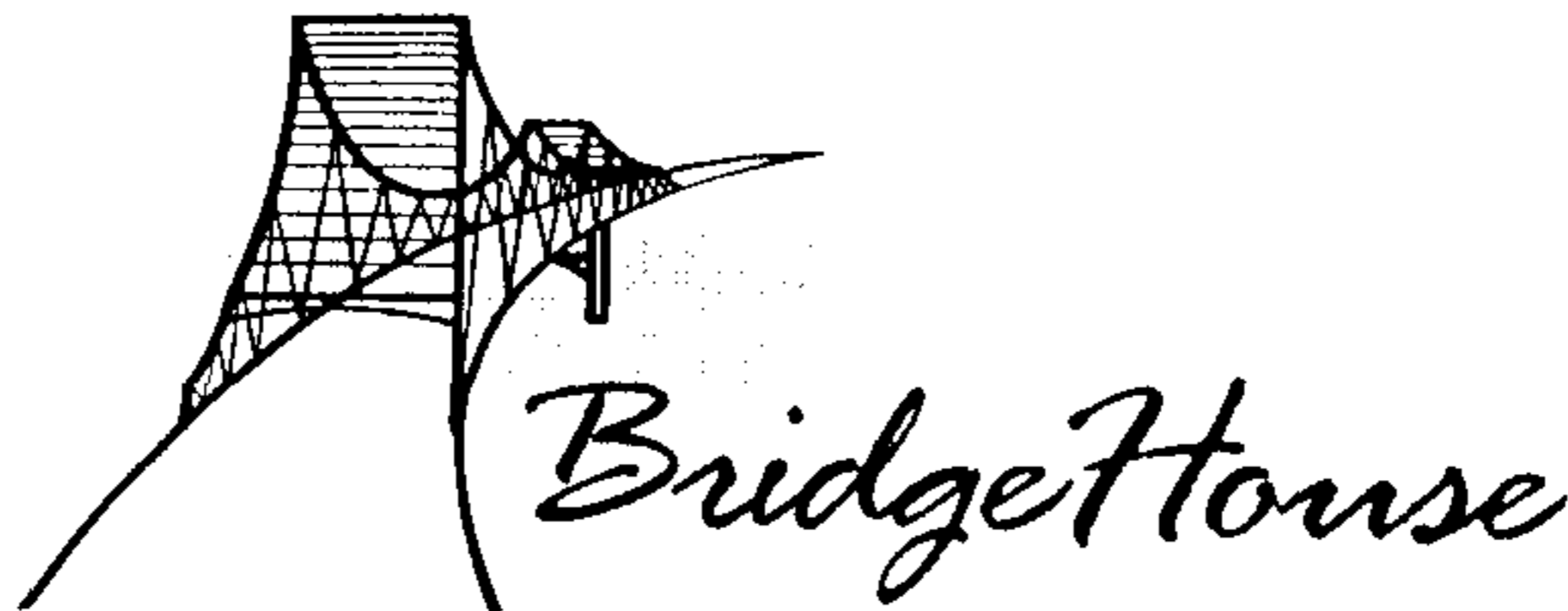
We wish to thank Sid Desforges and his department for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

June 7, 1999

  
Certified Public Accountants





Dignity • Honor • Respect

**CORRECTIVE ACTION PLAN RELATIVE TO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 7, 1999

Department of Housing and Urban Development

Bridge House Corporation respectfully submits the following corrective action plan for the year ended December 31, 1998.

Name and address of independent public accounting firm:

Ericksen, Krentel, Canton & LaPorte, L.L.P.  
4227 Canal Street  
New Orleans, Louisiana 70119  
Contact: Ronald H. Dawson, Jr.

Audit Period: 01/01/98 to 12/31/98

The findings from the December 31, 1998 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule. Section A of the schedule, Summary of Audit Results, does not include findings and is not addressed.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**REPORTABLE CONDITION**

**98-1 Bank Reconciliations**

Recommendation: Procedures should be implemented to insure that bank reconciliations are prepared on a timely basis each month.

Management's Response: We concur with the recommendation. Work duties have been reassigned and an additional person will be added, and the reconciliations will now be prepared on a timely basis.

Department of Health and Human Services

June 7, 1999

Page 2

C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAM  
AUDIT

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

98-2 Supportive Housing Programs – CFDA No. 14-235

Reportable Condition: See 98-1

If the Cognizant or Oversight Agency have questions regarding this plan, please call Richard  
“Buzzy” Gaiennie, Executive Director at (504) 522-2124.

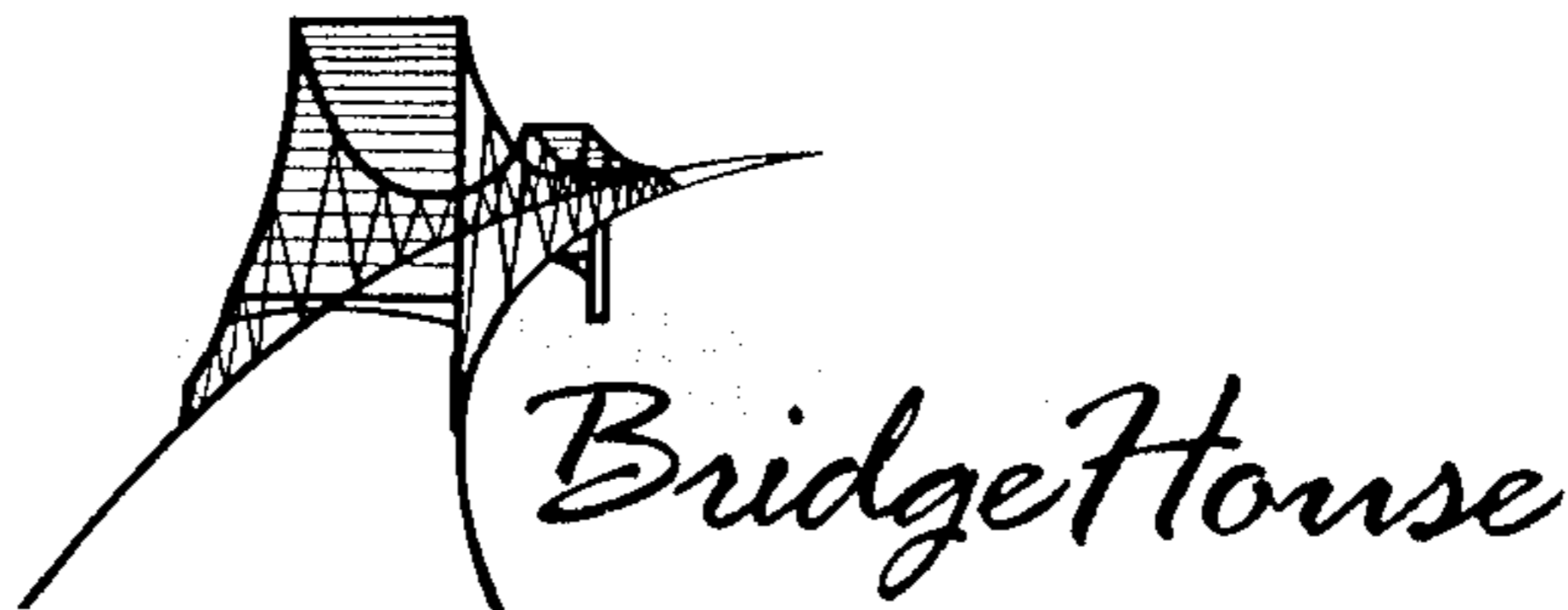
Sincerely,



Signature

Exec. Dir.

Title



Dignity • Honor • Respect

**CORRECTIVE ACTION PLAN RELATIVE TO  
MANAGEMENT LETTER ITEMS**

June 7, 1999

Louisiana Legislative Auditor

Bridge House Corporation respectfully submits the following corrective action plan for the year ended December 31, 1998.

Name and address of independent public accounting firm:

Ericksen, Krentel, Canton & LaPorte, L.L.P.  
4227 Canal Street  
New Orleans, Louisiana 70119  
Contact: Ronald H. Dawson, Jr.

Audit Period: 01/01/98 to 12/31/98

The items from the management letter issued for the year ended December 31, 1998 are discussed below. The items are numbered consistently with the number assigned in the management letter.

1. **Disbursement Processing**

Recommendation: The organization should process checks through the computer system and use multi-part checks.

Current Status: We concur with the recommendation. The computer will be used for processing checks once employees are trained on the system. Training will take place in the near future. Multi-part checks will be purchased when the current check supply is used.

2. **Client Service Fees**

Recommendation: Management should develop a procedure that identifies all clients who pay service fees and create a log in which to document the fees collected which can be reconciled to accounting records.

Current Status: We concur with the recommendation. Management is in the process of developing a procedure which will be implemented in the near future.

Louisiana Legislative Auditor  
June 7, 1999  
Page 2

3. **The Year 2000 Issue**

Recommendation: Implement a plan to resolve Year 2000 issues related to computer systems.

Current Status: The Organization has begun resolving Year 2000 issues. The software used has been determined as Year 2000 compliant, and the business manager is currently identifying other areas that need to be addressed.

If you have any questions regarding this plan, please call Richard "Buzzy" Gaiennie, Executive Director at (504) 522-2124.

Sincerely,

  
\_\_\_\_\_  
Signature

*EXEC. DIR.*  
\_\_\_\_\_  
Title