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RESPONSIBILITY HOUSE

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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 DEC 30 1998

CASCIO, DAVIS & SCHMIDT, LLP
Certified Public Accountants

RESPONSIBILITY HOUSE

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CD&S

CASCIO, DAVIS & SCHMIDT, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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JAN E. DAVIS, CPA
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MEMBERS
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PUBLIC ACCOUNTANTS
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Responsibility House

We have audited the accompanying statement of financial position of Responsibility House (a nonprofit corporation) as of June 30, 1998, and the related statements of activities and cash flows for the year 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 audit.

We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A - 133, "Audits of States, Local Governments, and Non-Profit Organizations." 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 Responsibility House as of June 30, 1998, and the changes in net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Cascio, Davis & Schmidt, LLP

Metairie, Louisiana
December 10, 1998

RESPONSIBILITY HOUSE
STATEMENT OF FINANCIAL POSITION

June 30, 1998

ASSETS

CURRENT ASSETS

Cash	\$ 21,841
Grants receivable (Note B)	10,530
Prepaid expenses	<u>4,500</u>

Total current assets 36,871

PROPERTY AND EQUIPMENT (Note A)

Automotive equipment	14,700
Furniture, equipment and appliances	15,873
Leasehold improvements	<u>1,442</u>
	32,015
Less accumulated depreciation	<u>21,896</u>

10,119

OTHER ASSETS

Deposits	<u>1,000</u>
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\$ 47,990

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued liabilities	\$ <u>3,649</u>
Total current liabilities	3,649

NET ASSETS (Note A)

Unrestricted	44,341
Temporarily restricted	<u>-</u>

Total Net Assets 44,341

\$ 47,990

The accompanying notes are an integral part of this statement.

RESPONSIBILITY HOUSE
STATEMENT OF ACTIVITIES
Year Ended June 30, 1998

UNRESTRICTED NET ASSETS

Revenue

Client service fees	\$ 32,805	
Other	<u>877</u>	

Total Unrestricted Revenue	\$ 33,682	
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Net assets released from restrictions

Grant	<u>193,283</u>	
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Total Unrestricted Revenue and Reclassifications		226,965
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Expenses

Program services

Primary Treatment Program	114,789	
Independent Living Program	63,348	
HOPWA	<u>2,834</u>	
	180,971	

Supporting services

Management and general	<u>42,006</u>	
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Total Expenses		<u>222,977</u>
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INCREASE IN UNRESTRICTED NET ASSETS		\$ 3,988
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TEMPORARILY RESTRICTED NET ASSETS

Jefferson Parish Human Services

Authority and HOPWA funding		
Operations	183,627	
Property and equipment	3,546	
Prepaid expenses	<u>500</u>	
	187,673	

Net assets released from restrictions

Jefferson Parish Human Services

Authority and HOPWA funding		
Operations	189,237	
Property and equipment	3,546	
Prepaid expenses	<u>500</u>	
	<u>193,283</u>	<u>193,283</u>

DECREASE IN TEMPORARILY RESTRICTED NET ASSETS		(5,610)
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DECREASE IN NET ASSETS		<u>(1,622)</u>
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RESPONSIBILITY HOUSE

STATEMENT OF ACTIVITIES - CONTINUED

Year Ended June 30, 1998

DECREASE IN NET ASSETS	(1,622)
NET ASSETS	
Beginning of year	<u>45,963</u>
End of year	\$ <u>44,341</u>

The accompanying notes are an integral part of this statement.

RESPONSIBILITY HOUSE

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended June 30, 1998

	PROGRAM SERVICES			SUPPORTING SERVICES	TOTAL
	Primary Treatment	Independent Living	HOPWA	Management & General	
PERSONAL SERVICES					
Wages	\$ 62,498	\$ 38,257	\$ -	\$ 5,082	\$ 105,837
Contract labor	9	30	-	-	39
	<u>62,507</u>	<u>38,287</u>	<u>-</u>	<u>5,082</u>	<u>105,876</u>
RELATED BENEFITS					
Payroll taxes	5,846	3,584	-	52	9,482
Workmens' compensation insurance	1,079	754	-	-	1,833
	<u>6,925</u>	<u>4,338</u>	<u>-</u>	<u>52</u>	<u>11,315</u>
TRAVEL	<u>373</u>	<u>60</u>	<u>-</u>	<u>-</u>	<u>433</u>
OPERATING SERVICES					
Mileage	3,554	226	-	393	4,173
Dues and fees	112	33	-	-	145
Entertainment	621	-	-	50	671
Insurance	2,326	775	120	2,943	6,164
Licenses and permits	378	485	30	-	893
Miscellaneous/bank charges	610	526	-	83	1,219
Rent	16,728	8,920	2,000	19,952	47,600
Telephone	1,179	764	118	573	2,634
Training and education	827	220	-	260	1,307
Utilities	3,956	2,826	107	2,556	9,445
Repairs and maintenance	5,534	90	-	22	5,646
Transportation	1,938	59	-	170	2,167
	<u>37,763</u>	<u>14,924</u>	<u>2,375</u>	<u>27,002</u>	<u>82,064</u>
SUPPLIES					
Cleaning/Household supplies	1,338	1,609	209	192	3,348
Food	1,872	116	-	-	1,988
Office supplies	1,351	1,464	-	376	3,191
	<u>4,561</u>	<u>3,189</u>	<u>209</u>	<u>568</u>	<u>8,527</u>
PROFESSIONAL SERVICES					
Accounting and audit	2,141	2,025	250	34	4,450
Professional and Consulting	519	525	-	2,700	3,744
	<u>2,660</u>	<u>2,550</u>	<u>250</u>	<u>2,734</u>	<u>8,194</u>
DEPRECIATION	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,568</u>	<u>6,568</u>
TOTALS	\$ <u>114,789</u>	\$ <u>63,348</u>	\$ <u>2,834</u>	\$ <u>42,006</u>	\$ <u>222,977</u>

The accompanying notes are an integral part of this statement.

RESPONSIBILITY HOUSE
STATEMENT OF CASH FLOWS
Year Ended June 30, 1998

CASH FLOWS FROM OPERATING ACTIVITIES		
Grant revenue	\$ 186,062	
Client service fees	32,805	
Other	<u>877</u>	
	219,744	
Payments to employees and suppliers	(216,661)	
NET CASH PROVIDED BY OPERATING ACTIVITIES		\$ 3,083
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(3,695)	
NET CASH USED IN INVESTING ACTIVITIES		(3,695)
CASH FLOWS FROM FINANCING ACTIVITIES		
		<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(612)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>22,453</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		\$ <u>21,841</u>
RECONCILIATION OF DECREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Decrease in net assets		\$ (1,622)
Adjustments to reconcile decrease in net assets provided by operating activities:		
Depreciation	\$ 6,568	
(Increase) decrease in operating assets:		
Grants receivable	2,388	
Prepaid expenses	(500)	
Increase (decrease) in operating liabilities:		
Accrued expenses	249	
Contract advance	<u>(4,000)</u>	
Total adjustments		<u>4,705</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		\$ <u>3,083</u>

The accompanying notes are an integral part of this statement.

RESPONSIBILITY HOUSE

NOTES TO FINANCIAL STATEMENTS

June 30, 1998

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the Corporation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Reporting Entity

Responsibility House began operations in 1994. The accompanying financial statements present all programs operated by Responsibility House during the year ended June 30, 1998.

2. Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting.

The Corporation's financial statements are presented in accordance with the requirements of Statement of Financial Accounting Standards (SFAS) No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS 116, contributions received are recorded as unrestricted, temporarily restricted, and permanently restricted support, depending on the existence or nature of any donor restrictions.

The Corporation also adopted SFAS 117, Financial Statements of Not-for-Profit Organizations. Under SFAS 117, the Corporation 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. The Corporation does not have any temporarily or permanently restricted net assets at June 30, 1998.

3. Organization and Nature of Activities

Responsibility House is a private, non-profit Halfway House and three quarterway house for the treatment of adult, chemically dependent males.

4. 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.

RESPONSIBILITY HOUSE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 1998

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

5. Property and Equipment

Property and equipment acquired by Responsibility House are considered to be owned by Responsibility House. However, State funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State has a reversionary interest in those assets purchased with its funds which have a cost of \$250 or more.

Property and equipment acquired with State funding during the year ended June 30, 1998 amounted to \$1,200.

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.

Responsibility House follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$250. Depreciation is computed using the straight-line basis over the useful lives of the assets, generally as follows:

Automotive equipment	4	years
Furniture, equipment and appliances	5 - 7	years
Leasehold improvements	51	months

Depreciation amounted to \$6,568 for the year ended June 30, 1998.

6. Income Taxes

The Corporation is a not-for-profit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code.

7. Revenue Recognition

Grant revenue is recognized as it is earned in accordance with approved contracts. All other types of revenue are recognized as received.

RESPONSIBILITY HOUSE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 1998

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

8. Cash Equivalents

For the purpose of the statement of cash flows, the Corporation considers all investments with original maturities of three months or less to be cash equivalents.

NOTE B. - GRANTS RECEIVABLE

Grants receivable from Jefferson Parish Human Services Authority, and City of New Orleans (HQPWA grant) represent the amount of funds awarded and earned but not received at June 30, 1998, as scheduled below:

	<u>Jefferson Parish Human Services Authority</u>		<u>HQPWA Grant</u>	<u>Total</u>
	<u>Grant No. 1</u>	<u>Grant No. 2</u>		
Funds awarded and earned through June 30, 1998	\$ 117,737	\$ 66,889	\$ 3,047	\$ 187,673
Funds received through June 30, 1998	<u>110,949</u>	<u>63,508</u>	<u>2,686</u>	<u>177,143</u>
Grants receivable at June 30, 1998	\$ <u>6,788</u>	\$ <u>3,381</u>	\$ <u>361</u>	\$ <u>10,530</u>

All receivables at June 30, 1998 are considered collectible, accordingly, an allowance for doubtful accounts is not presented.

NOTE C - OPERATING LEASE COMMITMENT

The Corporation entered into an operating lease November 1, 1996, for client and office facilities, expiring June 30, 2001. The lease can be terminated on June 30 of each year depending upon funding. The rental shall be \$4,000 monthly through June 30, 2001. Rental expense for the year ended June 30, 1998 amounted to \$47,600.

RESPONSIBILITY HOUSE

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 1998

NOTE D - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the programs and activities have been summarized on a functional basis in the Schedule of Functional Expenses. Certain costs have been allocated among the programs and supporting services based on actual services rendered or on a usage basis.

NOTE E - BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation was paid to any board member.

NOTE F - ECONOMIC DEPENDENCY

The Corporation receives the majority of its revenue from funds provided through grants administered by the State of Louisiana. The grant amounts are appropriated each year by the State of Louisiana. If significant budget cuts are made at the State level, the amount of the funds the organization receives could be reduced significantly and have an adverse impact on its operation. At the time of completion of the examination of the Corporation's financial statements, management was not aware of any actions taken that would adversely affect the amount of funds the organization will receive in the next fiscal year.

SINGLE AUDIT SECTION

FRANCIS J. CASCIO, CPA
JAN E. DAVIS, CPA
STEVEN A. SCHMIDT, CPA

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA CERTIFIED
PUBLIC ACCOUNTANTS

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
Responsibility House

We have audited the financial statements of Responsibility House (a nonprofit corporation) as of and for the year ended June 30, 1998, and have issued our report thereon dated December 10, 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 Responsibility House'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 Responsibility House's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being

audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, Jefferson Parish Human Services Authority, State of Louisiana Department of Health and Hospitals, City of New Orleans, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Carroll, Dennis J. Schmidt RLP

Metairie, Louisiana
December 10, 1998

RESPONSIBILITY HOUSE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 1998

AUDIT FINDINGS

There were no prior year or current year audit findings.

QUESTIONED COSTS

There were no questioned costs.

MANAGEMENT LETTER

A management letter was not issued for the year ended June 30, 1998.

The accompanying notes are an integral part of this statement.