

RECEIVED
LEGISLATIVE AUDITOR

2000 JAN -4 AM 10: 07

OFFICIAL
FILE COPY

DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.

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 1-19-00

FINANCIAL AND COMPLIANCE AUDIT TOGETHER WITH INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

Bruno
& Tervalon

CERTIFIED PUBLIC ACCOUNTANTS

**VOLUNTEERS OF AMERICA OF
GREATER NEW ORLEANS, INC.**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Consolidated Statements of Financial Position - June 30, 1999 and 1998	3
Consolidated Statement of Activities - For the Year Ended June 30, 1999 with Summarized Financial Information for the Year Ended June 30, 1998	5
Consolidated Statement of Functional Expenses - For the Year Ended June 30, 1999 with Summarized Financial Information for the Year Ended June 30, 1998	8
Consolidated Statements of Cash Flows - For the Years Ended June 30, 1999 and 1998	9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	11
SUPPLEMENTARY INFORMATION:	
Schedule of Expenditures of Federal Awards for the Year Ended June 30, 1999	28
Consolidating Statement of Financial Position - June 30, 1999 with Summarized Financial Information for June 30, 1998	31
Consolidating Statement of Activities for the Year Ended June 30, 1999 with Summarized Financial Information for the Year Ended June 30, 1998	34
Schedule Revenue and Expense by Program For the Year Ended June 30, 1999 (Unaudited)	36

**VOLUNTEERS OF AMERICA OF
GREATER NEW ORLEANS, INC.**

TABLE OF CONTENTS

	<u>PAGE</u>
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	37
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	39
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 1999	42.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	45
EXIT CONFERENCE	46

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Volunteers of America of Greater New Orleans, Inc.

We have audited the accompanying consolidated statements of financial position of **Volunteers of America of Greater New Orleans, Inc. (the Organization)** as of June 30, 1999 and 1998 and the related consolidated statements of activities and functional expenses for the year ended June 30, 1999 and statements of cash flows for the years ended June 30, 1999 and 1998. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the consolidated financial statements referred to above present fairly, in all material respects the consolidated financial position of **Volunteers of America of Greater New Orleans, Inc.** as of June 30, 1999 and 1998, and the changes in its net assets for the year ended June 30, 1999, and its cash flows for the years ended June 30, 1999 and 1998 in conformity with generally accepted accounting principles.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Volunteers of America of Greater New Orleans, Inc.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 1999 on our consideration of **Volunteers of America of Greater New Orleans, Inc.**'s internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants as of and for the year ended June 30, 1999.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 consolidated financial statements. The consolidating statement of financial position at June 30, 1999, the consolidating statement of activities, and the schedule of revenue and expense by program for the year then ended are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. This supplementary information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

October 8, 1999

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 1999 AND 1998

ASSETS	<u>1999</u>	<u>1998</u>
Current assets:		
Cash and cash equivalents	\$ 67,417	\$ 125,045
Grants receivable, net of allowance for doubtful accounts of \$ -0- and \$10,885 at June 30, 1999 and June 30, 1998, respectively. (NOTE 3)	1,547,301	1,329,591
Notes receivable - other	18,720	9,302
Prepaid expenses	7,113	4,367
Other assets	<u>54,108</u>	<u>45,109</u>
Total current assets	<u>1,694,659</u>	<u>1,513,414</u>
Fixed assets:		
Land, building and building improvements (NOTE 5)	6,633,711	4,705,834
Vehicles, furnishings and equipment (NOTE 5)	1,560,750	1,192,452
Accumulated depreciation (NOTE 5)	<u>(2,865,241)</u>	<u>(2,544,860)</u>
Total fixed assets, net	<u>5,329,220</u>	<u>3,353,426</u>
Other assets:		
Investments (NOTE 4)	1,613,950	1,466,794
Investment in joint ventures (NOTE 12)	543,547	448,639
Encumbered assets (NOTE 6)	<u>61,514</u>	<u>70,470</u>
Total other assets	<u>2,219,011</u>	<u>1,985,903</u>
Total assets	<u>\$ 9,242,890</u>	<u>\$ 6,852,743</u>

The accompanying notes are an integral part of these financial statements.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 1999 AND 1998

	1999	1998
LIABILITIES AND NET ASSETS		
Current liabilities:		
Bank overdrafts	\$ 538,064	\$ 431,756
Accounts payable	341,827	105,419
Mortgages and notes payable (NOTE 7)	796,486	348,519
Current portion of obligations under capital leases (NOTE 9)	16,175	0
Accrued expenses	763,849	673,999
Other liabilities	121,951	139,023
	2,578,352	1,698,716
Total current liabilities		
Other liabilities:		
Mortgages and notes payable (NOTE 7)	2,451,323	1,068,300
Long-term portion of obligations under capital leases (NOTE 9)	47,842	0
Other	7,407	7,407
	2,506,572	1,075,707
Total other liabilities		
	5,084,924	2,774,423
Total liabilities		
Net assets:		
Unrestricted	4,131,099	4,052,394
Permanently restricted (NOTE 2)	26,867	25,926
	4,157,966	4,078,320
Total net assets		
	\$ 9,242,890	\$ 6,852,743
Total liabilities and net assets		

The accompanying notes are an integral part of these financial statements.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1999
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 1998

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>1999</u>	<u>1998</u>
REVENUES				
Revenues from operations:				
Public support received directly:				
Contributions	\$ 133,863	\$ 0	\$ 133,863	\$ 94,861
Special events, net of direct benefit cost of \$31,230 and \$27,659 for the years ended June 30, 1999 and 1998, respectively	122,382	0	122,382	113,647
Public support received indirectly: United Way	<u>137,171</u>	<u>0</u>	<u>137,171</u>	<u>123,506</u>
Total public support	<u>393,416</u>	<u>0</u>	<u>393,416</u>	<u>332,014</u>
Revenues and grants from governmental agencies	<u>10,220,149</u>	<u>0</u>	<u>10,220,149</u>	<u>9,359,566</u>
Other revenue:				
Program service fees	952,028	0	952,028	784,566
Rental income	35,025	0	35,025	77,075
Sales of materials, net	<u>1,668,897</u>	<u>0</u>	<u>1,668,897</u>	<u>1,738,509</u>
Total other revenue	<u>2,655,950</u>	<u>0</u>	<u>2,655,950</u>	<u>2,600,150</u>
Total operating revenues	<u>13,269,515</u>	<u>0</u>	<u>13,269,515</u>	<u>12,291,730</u>

The accompanying notes are an integral part of these financial statements.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1999
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 1998

	Unrestricted	Permanently Restricted	1999	1998
EXPENSES				
Operating expenses:				
Program services:				
Children and youth	\$ 2,813,046	0	2,813,046	\$ 3,330,168
Substance abuse	94,012	0	94,012	11,541
Mental health	3,356,492	0	3,356,492	2,387,322
Mental retardation/Developmental disability	1,857,193	0	1,857,193	1,486,694
Correctional services	967,578	0	967,578	1,054,933
Elderly services	675,850	0	675,850	633,460
Employment and training services	229,781	0	229,781	212,451
Community enhancement	1,549,812	0	1,549,812	1,490,280
Total program services	11,543,764	0	11,543,764	10,606,849
Supporting services:				
Management and general	1,532,785	0	1,532,785	1,409,695
Total supporting services	1,532,785	0	1,532,785	1,409,695
Administrative fee	283,739	0	283,739	273,009
Total operating expenses	13,360,288	0	13,360,288	12,289,553
Excess (deficiency) from operations	(90,773)	0	(90,773)	2,177

The accompanying notes are an integral part of these financial statements.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1999
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 1998

	Unrestricted	Permanently Restricted	1999	1998
OTHER GAINS (LOSSES)				
<i>Non-operating gains (losses):</i>				
Interest and dividend income	\$ 46,399	\$ 941	\$ 47,340	\$ 45,422
Gain on sale of investments	103,902	0	103,902	138,784
Gain on sale of assets	11,475	0	11,475	0
Unrealized gain (loss) on investments	(46,985)	0	(46,985)	63,208
Other income	54,687	0	54,687	87,843
	169,478	941	170,419	335,257
Total non-operating gains (losses)				
Change in net assets	78,705	941	79,646	337,434
Net assets, beginning of year	4,052,394	25,926	4,078,320	3,740,886
Net assets, end of year	\$ 4,131,099	\$ 26,867	\$ 4,157,966	\$ 4,078,320

The accompanying notes are an integral part of these financial statements.

	<u>Children and Youth</u>	<u>Substance Abuse</u>
Salaries	\$ 1,144,496	\$ 32,569
Employee bonuses	0	0
Pension expense	25,153	102
Other employee benefits	47,526	1,194
Payroll taxes	91,699	2,683
Legal fees	12,924	320
Accounting fees	0	0
Other professional fees	842,683	4,775
Supplies and expenses	110,391	18,042
Telephone	42,266	1,784
Postage	3,328	0
Occupancy expense	226,813	18,519
Interest	0	5,500
Equipment rental and maintenance	7,217	794
Printing and publications	8,521	246
Travel	61,157	3,860
Conferences and meetings	6,955	64
Direct assistance to clients	78,436	0
Other	65,566	76
Depreciation and amortization	<u>37,915</u>	<u>3,484</u>
Total functional expense	<u>\$ 2,813,046</u>	<u>\$ 94,012</u>
Administrative fees - National Office		
Total expense		
Direct benefit expense		
Total expense plus direct benefit expense		

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 1999
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 1998

Program Services

Mental Health	Mental Retardation/ Developmental Disability	Correctional Services	Elderly Services	Employment and Training Services	Community Enhancement
\$ 1,392,370	\$ 1,503,451	\$ 574,427	\$ 456,855	\$ 151,757	\$ 763,576
0	0	0	0	0	0
26,938	16,653	19,148	11,168	8,492	7,903
55,800	30,550	22,721	19,369	7,387	25,311
113,167	120,475	55,180	38,706	8,834	78,736
14,312	5,920	206	1,474	0	4,356
5,000	0	0	0	0	0
503,540	47,791	56,607	34,377	17,385	116,706
112,953	5,620	89,567	8,574	5,995	57,833
39,593	19,641	5,905	26,205	2,897	12,428
1,728	283	397	1,438	26	643
414,140	33,003	80,477	37,880	15,505	298,053
46,516	0	9,444	0	0	0
15,987	3,912	3,324	2,518	441	2,199
6,357	1,787	928	3,573	871	4,662
104,120	56,091	12,673	23,562	3,359	99,323
6,414	1,867	8,390	6,410	4,368	1,718
429,463	2,115	1,057	1,706	248	442
8,333	4,717	2,355	1,980	820	887
59,761	3,317	24,772	55	1,396	75,036
<u>\$ 3,356,492</u>	<u>\$ 1,857,193</u>	<u>\$ 967,578</u>	<u>\$ 675,850</u>	<u>\$ 229,781</u>	<u>\$ 1,549,812</u>

	<u>Supporting Services</u>			
<u>Total</u>	<u>Management and General</u>		<u>1999</u>	<u>1998</u>
\$ 6,019,501	\$ 675,208		\$ 6,694,709	\$ 6,229,371
0	0		0	104,018
115,557	41,155		156,712	131,919
209,858	62,289		272,147	262,569
509,480	40,814		550,294	531,686
39,512	11,428		50,940	28,731
5,000	26,038		31,038	31,181
1,623,864	190,094		1,813,958	1,597,567
408,975	38,627		447,602	465,119
150,719	23,415		174,134	138,716
7,843	13,945		21,788	18,284
1,124,390	78,462		1,202,852	870,279
61,460	81,695		143,155	139,400
36,392	8,761		45,153	35,882
26,945	50,200		77,145	39,926
364,145	2,576		366,721	412,285
36,186	57,110		93,296	80,612
513,467	0		513,467	485,870
84,734	39,178		123,912	146,287
205,736	91,790		297,526	266,842
<u>\$ 11,543,764</u>	<u>\$ 1,532,785</u>		<u>13,076,549</u>	<u>12,016,544</u>
			<u>283,739</u>	<u>273,009</u>
			<u>13,360,288</u>	<u>12,289,553</u>
			<u>31,230</u>	<u>54,787</u>
			<u>\$ 13,391,518</u>	<u>\$ 12,344,340</u>

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

	1999	1998
Operating activities:		
Change in net assets	\$ 79,646	\$ 337,434
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	297,527	266,842
Unrealized (gain) loss on investments	46,985	(63,208)
Gain on sales of investments	(103,902)	(138,784)
Provision for doubtful accounts	0	16,240
Change in operating assets and liabilities:		
Grants receivable	(217,710)	201,563
Notes receivable	(9,418)	(9,302)
Prepaid expenses	(2,746)	8,817
Other assets	(8,999)	(23,590)
Encumbered assets	8,956	21,732
Accounts payable	236,408	9,853
Accrued expenses	89,850	190,249
Other liabilities	(17,072)	(155,868)
Cash provided by operating activities	399,525	661,978
Investing activities:		
Proceeds from sale of investments	1,309,983	1,455,629
Purchase of investments	(1,400,222)	(1,532,494)
Acquisition of property and equipment	(2,305,488)	(481,413)
Proceeds from sale of property and equipment	32,167	26,256
Investment in VOA Development, Inc.	105,091	(83,972)
Investment in Edgewater Ventures	(200,000)	0
Cash used in investing activities	(2,458,469)	(615,994)

The accompanying notes are an integral part of these financial statements.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
Financing activities:		
Increase in bank overdrafts	\$ 106,308	\$ 101,597
Proceeds from mortgages and notes payable	1,931,759	0
Principal payments on mortgages and notes payable	(100,768)	(166,800)
Obligation under capital leases	<u>64,017</u>	<u>0</u>
Cash (used in) provided by financing activities	<u>2,001,316</u>	<u>(65,203)</u>
Net increase (decrease) in cash and cash equivalents	(57,628)	(19,219)
Cash and cash equivalents, beginning of year	<u>125,045</u>	<u>144,264</u>
Cash and cash equivalents, end of year	<u>\$ 67,417</u>	<u>\$ 125,045</u>
Supplemental disclosure for Cash Flow Purposes:		
Interest paid	<u>\$ 143,155</u>	<u>\$ 139,400</u>

The accompanying notes are an integral part of these financial statements.

**VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 - ORGANIZATION

Volunteers of America of Greater New Orleans, Inc. (VOA/GNO, Inc.) is a not-for-profit Christian human services organization, recognized as a church, incorporated in the State of Louisiana, which provides social services within the Greater New Orleans and Southeast Louisiana areas, and operates under a charter issued by Volunteers of America, Inc. (VOA, Inc.), a national religious not-for-profit corporation.

The consolidated financial statements of VOA/GNO, Inc. include Community Centers, Inc. (CLC, Inc.) CLC, Inc. is a not-for-profit corporation organized under the laws of the State of Louisiana and sponsored by VOA/GNO, Inc. No capital stock is authorized, issued, or outstanding. CLC, Inc. was formed to acquire an interest in real property and to construct and operate thereon two six-unit group homes under Section 202 of the National Housing Act in order to provide housing for persons developmentally disabled. CLC, Inc. operates FHA Project No. 064-EH-036-WHC-L8-NP.

Throughout the notes to the consolidated financial statements, VOA/GNO, Inc. and CLC, Inc. will be collectively referred to as the Organization. The financial statements of VOA/GNO, Inc. and CLC, Inc. have been consolidated as they are under common management. Additionally, these consolidated financial statements do not include the activities of VOA Development, Inc., a wholly owned subsidiary of VOA/GNO, Inc. (See Note 12).

The Organization operates and maintains programs to meet a wide variety of needs for individuals in the Organization's service areas. These programs provide numerous social services which are described below:

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION
CONTINUED

Children and Youth

This program provides services to children with developmental disabilities from birth to age 18 to enhance their functioning by living in small, typical homes in the community.

Additionally, this program provides young women with viable positive alternatives when facing single parenthood by providing counseling for pregnant young women and providing adoption services.

This program is funded by the United Way, the State of Louisiana, Department of Health and Hospitals, Title XIX and fund raising activities.

Substance Abuse Services

This program provides shelter, employment and a mission program for homeless alcoholic men in a supportive drug and alcohol-free environment to promote personal self-worth and dignity through productive work and sobriety.

This program is funded through contributions, sales to the public, salvage and thrift store operations and fund raising activities.

Mental Health

This program provides pre-vocational and vocational placement, employment support and a day treatment program placement for adults with developmental disabilities in an effort to enhance their self-esteem and functional productivity in a small, community-based residential setting.

This program is funded by the State of Louisiana, Department of Health and Hospitals, Title XIX and fund raising activities.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION
CONTINUED

Mental Retardation/Developmental Disability

This program serves adults with developmental disabilities and/or mental illness by helping them maintain their own residence in the community and provides training in personal, vocational and social skills and supportive counseling. The program also assist in meeting the medical, employment, financial, recreational and mobilization needs.

This program is funded by the State of Louisiana, Department of Health and Hospitals, Office of Mental Health and Office of Community Services and fund raising activities.

Correctional Services

This program re-establishes family relationships and support, gainful employment, and drug abstinence for men and women that are being released from federal institutions.

This program is funded by the Department of Justice Bureau of Prisons, Pre-Trial Services and fund raising activities.

Elderly Services

This program fosters independent living with dignity and a sense of self-reliance for the elderly. The program also sponsors educational and health-related activities, homemaker services, repairs on wheels and elderly protective services.

This program is funded by the United Way, contributions, various state grants and fund raising activities.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION
CONTINUED

Employment and Training Services

This program identifies, facilitates and coordinates training to ensure that the staff members are equipped to performed their jobs.

This program is funded through fund raising activities.

Community Enhancement

This program refurbishes and sells donated automobiles, clothes, furniture and computers donated to the Organization for resale.

Management and General

This program facilitates and coordinates the operations of VOA/GNO, Inc.. The resources of management and general are used to fund operations of VOA/GNO, Inc. that are not directly covered by specific programs administered by VOA/GNO, Inc.

This program is funded through program service fees and fund raising activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
CONTINUED

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Organization, inclusive of Community Living Center, Inc.. All material intercompany transactions have been eliminated.

Investments

In accordance with SFAS No. 124 investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets.

All other investments are reported at historical cost, if purchased, or if contributed at fair value at the date of contribution.

Property and Equipment

Land, buildings, vehicles, and furnishings and equipment purchased by the Organization are recorded at cost. The Organization follows the practice of capitalizing all expenditures for land, buildings and equipment over \$1,000. The fair value of donated fixed assets is similarly capitalized.

Depreciation and amortization is computed using the straight-line method based upon the estimated useful lives of the assets.

Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, unless pledged to secure loan agreements or otherwise encumbered. The carrying amount approximates fair value because of the short maturity of those instruments.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
CONTINUED

Contributions

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

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.

Designated and Encumbered Assets

Designated and encumbered assets represent the total of all assets that are encumbered by donor restrictions, legal agreements, and board designation or are otherwise unavailable for the general use of the organization. This category generally includes assets such as client/custodial funds, escrow/reserve funds, temporarily and permanently restricted assets, and securities that are pledged and held by the lender as collateral for financing.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
CONTINUED

Net Assets

The Organization classifies net assets into three categories: unrestricted, temporarily restricted and permanently restricted. All net assets are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Temporarily restricted net assets include contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted and are reported in the statement of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. Permanently restricted net assets include contributions with donor-imposed restrictions requiring resources to be maintained in perpetuity, but permitting use of all or part of the investment income earned on the contributions. At June 30, 1999 the Organization had no temporarily restricted net assets.

Federal Income Taxes

The Organization 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). The federal tax exemption also extends to state income taxes.

Investments

Investments in all debt and equity securities with readily determinable fair value are reported at their fair value. All other investments are reported at historical cost, if purchased, or, if contributed, at fair value at the date of contribution.

Summary Financial Information for 1998

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 statements for the year ended June 30, 1998, from which the summarized information was derived.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
CONTINUED

Allocation of Expenses

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the various functions.

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 may differ from those estimates.

Reclassifications

Certain reclassifications have been made to prior years' financial statement amounts to conform to the current year's presentation.

NOTE 3 - GRANTS RECEIVABLE

At June 30, amounts included in grants receivable were as follows:

	<u>1999</u>	<u>1998</u>
Grants receivable	\$1,547,301	\$1,340,476
Less: Allowance for doubtful accounts	<u>-0-</u>	<u>(10,885)</u>
Grants receivable, net	<u>\$1,547,301</u>	<u>\$1,329,591</u>

The following represents an analysis of the allowance for doubtful accounts for the year ended June 30,:

	<u>1999</u>	<u>1998</u>
Balance at beginning of year	\$ 10,885	\$ 88,644
Provision for doubtful accounts	-0-	16,240
Charge-offs	<u>(10,885)</u>	<u>(93,999)</u>
Balance at end of year	<u>\$ -0-</u>	<u>\$ 10,885</u>

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS

Investments are stated at fair value and are summarized as follows as of June 30:

	<u>1999</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Corporate bonds	\$ 498,430	\$ 466,161	\$ 466,161
Government bonds	25,000	25,094	25,094
Zero coupon bonds	103,138	104,888	104,888
Common stock	673,309	637,997	637,997
Mutual funds	<u>292,805</u>	<u>379,810</u>	<u>379,810</u>
	<u>\$ 1,592,682</u>	<u>\$1,613,950</u>	<u>\$1,613,950</u>

	<u>1998</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Corporate bonds	\$ 353,453	\$ 354,642	\$ 354,642
Government bonds	25,000	25,323	25,323
Zero coupon bonds	129,420	150,408	150,408
Common stock	614,771	601,695	601,695
Mutual funds	<u>249,428</u>	<u>334,726</u>	<u>334,726</u>
	<u>\$ 1,372,072</u>	<u>\$1,466,794</u>	<u>\$1,466,794</u>

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS
CONTINUED

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30:

	1999		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Interest income	\$ 46,399	\$ 941	\$ 47,340
Unrealized gains (loss) on investments	(46,985)	-0-	(46,985)
Realized gains on sale of investments	<u>103,902</u>	<u>-0-</u>	<u>103,902</u>
	<u>\$103,316</u>	<u>\$ 941</u>	<u>\$104,257</u>
	1998		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Interest income	\$ 41,802	\$ 3,620	\$ 45,422
Unrealized gains on investments	63,208	-0-	63,208
Realized gains on sale of investments	<u>138,784</u>	<u>-0-</u>	<u>138,784</u>
	<u>\$243,794</u>	<u>\$ 3,620</u>	<u>\$247,414</u>

The primary investment objective of the Organization is to preserve and protect its assets, by earning a total return appropriate to time horizon, liquidity needs, and risk tolerance.

To accomplish the Organization's investment objectives, the Organization utilizes portfolios of equity securities (common stocks and convertible securities), fixed-income securities, and short-term investments.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - FIXED ASSETS

Fixed asset consist of the following at June 30:

	<u>1999</u>	<u>1998</u>
Land	\$ 704,701	\$ 629,701
Buildings and building improvements	5,929,010	4,076,132
Vehicles	616,483	493,091
Furnishings and equipment	874,812	699,362
Property held under capital leases	<u>69,455</u>	<u>-0-</u>
	8,194,461	5,898,286
Less: Accumulated depreciation	<u>(2,865,241)</u>	<u>(2,544,860)</u>
	<u>\$ 5,329,220</u>	<u>\$3,353,426</u>

Depreciation expense was \$297,526 and \$266,842 for the years ended June 30, 1999 and 1998.

NOTE 6 - ENCUMBERED ASSETS

At June 30 amounts included in encumbered assets were as follows:

	<u>1999</u>	<u>1998</u>
Cash and cash equivalents	<u>\$61,514</u>	<u>\$70,470</u>

NOTE 7 - MORTGAGES AND NOTES PAYABLE

The following is a summary of mortgages and notes payable at June 30, 1999:

Mortgages payable to banks and HUD secured by land, buildings with interest rates ranging from 6.00% - 9.25%, payable in monthly installments ranging from \$827 - \$5,816, with maturity dates ranging from August, 1997 - June 2024	\$2,370,342
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
 (CONTINUED)
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - MORTGAGES AND NOTES PAYABLE
 CONTINUED

Mortgages payable to a Foundation secured by land and buildings with an interest rate of 5.5% payable in annual installments ranging from \$803 - \$1,692 maturing February 2019	300,000
Notes payable to banks secured by vehicles with an interest rate of 8.75% payable in monthly installments of \$1,960 with a maturity date of June 2004	117,467
Advances under a line-of-credit with a variable interest rate, with no stated maturity date.	<u>460,000</u>
	3,247,809
Less: Current portion	<u>(796,486)</u>
	<u>\$2,451,323</u>

Scheduled principle payments due on the above mortgages and notes subsequent to June 30, 1999 are as follows:

Year ended <u>June 30,</u>	
2000	\$ 796,486
2001	177,087
2002	599,548
2003	152,896
2004	162,700
Subsequent to 2004	<u>1,359,092</u>
	<u>\$ 3,247,809</u>

Interest expense for the year ended June 30, 1999 was \$143,155.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 - RELATED PARTY TRANSACTIONS

VOA, Inc. provides administrative services to the Organization for a fee. These Administrative fees for the fiscal year ended June 30, 1999 totaled \$283,739.

Prior to July 1, 1993 VOA Housing Corporation managed the two complexes operated by CLC, Inc. and as of June 30, 1998, \$26,456 was included in other current liabilities for management fees due to VOA Housing Corporation.

NOTE 9 - LEASES

The Organization has several operating leases for the rental of office space which are noncancellable over the next year and several operating leases for the rental of office space on a month-to-month basis. Additionally, the Organization leases vehicles under capital leases.

Minimum future rental payments under noncancellable operating leases having remaining terms in excess one year as of June 30, 1999 for each of the next five years and in the aggregate are as follows:

Year ended <u>June 30</u>	
2000	\$ 323,089
2001	240,089
2002	165,416
2003	63,463
2004	6,175
Subsequent to 2004	<u>-0-</u>
	\$ <u>798,232</u>

Rental expense under the noncancellable operating leases for the year ended June 30, 1999 was \$328,616.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - LEASES
CONTINUED

The Organization has two capital leases for rental of vehicles. (See Note 5).

Minimum future lease payments under capital leases as of June 30, 1999 for each of the next five years and in the aggregate are:

Year ended <u>June 30,</u>	
2000	\$ 16,175
2001	16,175
2002	16,175
2003	16,175
2004	<u>8,087</u>
Total minimum lease payments	72,787
Less: Amount representing interest	<u>(8,770)</u>
 Present value of net minimum lease payment	 \$ <u>64,017</u>

NOTE 10 - PENSION PLAN FOR MINISTERS

VOA/GNO, Inc. 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 \$51,922 for the year ended June 30, 1999.

Because the plan is a multi-employer plan, the accumulated benefits and net assets available for benefits as they related to VOA/GNO, Inc. are not readily available.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - EMPLOYEE BENEFIT PLANS

The Organization offers a Section 403(b) plan to all eligible nonministers. Nonministers are eligible to participate after completing 12 months of service. Under the terms of the plan, the Organization contributes 3.50% of yearly employee compensation and matches an additional .25% of employee contributions up to a total maximum contribution of 3.75% of yearly employee compensation. The Organization contributed approximately \$104,790 to the plan for the year ended June 30, 1999.

NOTE 12 - INVESTMENT IN JOINT VENTURES

VOA Development, Inc. is a wholly owned subsidiary of VOA/GNO, Inc. VOA Development, Inc. is a not-for-profit corporation that was incorporated on May 15, 1995 for the sole purpose of entering a partnership agreements with a local bank to own a homeless shelter in the Greater New Orleans area. VOA Development, Inc. is a 1% general partner in this partnership and VOA/GNO, Inc. is responsible for the day-to-day operations of the homeless shelter.

Edgewater Ventures, LLC is a limited liability company duly organized and existing under the laws of the State of Louisiana established to acquire an office building in the Greater New Orleans area. VOA/GNO, Inc. has a 25% interest of Edgewater Ventures, Inc.

VOA/GNO's investment in joint ventures at June 30, is summarized as follows:

	<u>1999</u>	<u>1998</u>
Investment in VOA Development	\$343,547	\$448,639
Investment in Edgewater Ventures, LLC	<u>200,000</u>	<u>-0-</u>
	<u>\$543,547</u>	<u>\$448,639</u>

The Organization has guaranteed 25% of a \$2,640,000 bank loan of Edgewater Ventures, LLC in which the Organization holds a 25% interest. Additionally, under the terms of an agreement with Edgewater Ventures, LLC, the Organization is obligated to advance to Edgewater Ventures, LLC, capital contributions for working capital as determined by the Executive Committee of Edgewater Ventures, LLC. The additional capital contributions will be made in accordance with the Organization's percentage interest.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 - FAIR VALUES OF FINANCIAL INSTRUMENTS

Cash and Cash Equivalents

The carrying amount approximates fair value due to the short-term nature of the instruments.

Investments

Fair value have been determined using quoted market prices for all investments.

Grants Receivable, Net

The carrying amount of accounts approximates the fair value.

Accounts Payable and Bank Overdrafts

The carrying amounts have been determined to approximate the fair value.

Mortgage and Notes Payable

The carrying amounts have been determined to approximate the fair value.

The carrying amounts and estimated fair value of the Organization's financial instruments as of June 30, 1999 are as follows:

	<u>Carrying Amounts</u>	<u>Fair Value</u>
Financial Assets:		
Cash and equivalents	\$ 67,417	\$ 67,417
Investments	1,613,950	1,613,950
Notes receivable	18,720	18,720
Financial Liabilities:		
Bank overdrafts	538,064	538,064
Accounts payable	341,827	341,827
Mortgage and notes payable	3,247,809	3,247,809

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
(CONTINUED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 - CONTINGENCIES

Funding Sources

The Organization receives fees and grants from local, state and federal governmental agencies. The programs sponsored by these agencies are subject to discretionary audits by the granting agencies. There have been no audits by granting agencies in fiscal year 1999 and management does not anticipate any adjustments as a result of future audits. Any adjustment from an audit performed by a granting agency would flow through the consolidated financial statements during the year of the audit as a change in an accounting estimate.

Grant agreements and contracts allow the Organization to transfer surpluses to the current unrestricted fund at the end of each fiscal year.

Legal

The Organization is a defendant in various lawsuits. However, in the opinion of management, the amount of potential loss, if any, will not materially impact these consolidated financial statements.

NOTE 15 - YEAR 2000 COMPLIANCE

Volunteers of America/Greater New Orleans is very aware of the year 2000 problem and has established a Y2K Task force made up of at least one person from each service program and support group. The role of the task force is as follows:

- Awareness - Educate all employees about Y2K.
- Inventory - Not just data processing, but everything that can be effected by this problem.
- Assessment and planning - After inventory, the Task force will assess the agency situation to determine how severe and widespread it is.
- Correction and testing phase - Correct and test those areas that are not Y2K compliant.

The Organization has committed approximately \$25,000 toward its Year 2000 compliance efforts. The Organization has completed inspections of all major systems and identified those systems subject to Y2K compliance. Additionally, the Organization has in place a contingency plan to electronically back-up all critical data prior to December 31, 1999.

SUPPLEMENTARY INFORMATION

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1999

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency Number</u>	<u>Activity</u>
U. S. Department of Housing and Urban Development			
Direct Awards:			
Section 202 Direct Loan	14.157	064-EH036- WHC-NP-L8	\$ 427,299
Section 8 Housing Assistance Payments	14.857	LA48-T791-012	100,388
Supportive Housing Program	14.235	LA48-B93-1074	546,740
Pass-through Awards:			
Passed through UNITY for the Homeless-Housing Opportunities for Persons With AIDS	14.241	LA48-H98-043	33,586
Passed through UNITY for the Homeless-Housing Opportunities for Persons With AIDS	14.241	LA48-B96-1401	33,113
Passed through the City of New Orleans-Division of Housing and Neighborhood Development-Community Development Block Grant (Repairs on Wheels)	14.218	CD#10-070(97)	<u>34,755</u>
Total U. S. Department Of Housing and Urban Development			<u>1,175,881</u>

See Independent Auditors' Report on Supplementary Information.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1999

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency Number</u>	<u>Activity</u>
U.S. Department of Health and Human Services:			
Passed through State of Louisiana Department of Social Services- Office of Community Services Therapeutic Family Care Services for Foster Children	93.658	020011846	\$ 258,935
Passed through New Orleans Council on Aging-Residential Repair and Renovation (Repairs- on-Wheels)	93.044	N/A	28,430
Passed through the State of Louisiana Department of Health and Hospitals-Office of Mental Health-Homeless Case Aides Services	93.150	538447	39,676
Passed through the State of Louisiana Department of Health and Hospitals-Office of Mental Health-Supervised Apartments-Adult Services	93.958	532670	60,140

See Independent Auditors' Report on Supplementary Information.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1999

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency Number</u>	<u>Activity</u>
U. S. Department of Health and Human Services, Continued: Passed through State of Louisiana Department of Health and Hospitals-Office of Mental Health-Therapeutic Planned Recreation Respite Program	93.958	532650	<u>30,880</u>
Total U. S. Department of Health and Human Services			<u>418,061</u>
Total Federal Expenditures			<u>\$1,593,942</u>

The above schedule of expenditures of federal awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See Independent Auditors' Report on Supplementary Information.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 1999
WITH SUMMARIZED INFORMATION FOR JUNE 30, 1998

	VOA/GNO, Inc.	CLC, Inc.	Total	Eliminations	Consolidated	
					1999	1998
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 45,464	\$ 21,953	\$ 67,417	\$ 0	\$ 67,417	\$ 125,045
Grants receivable, net of allowance for doubtful accounts of \$ -0- and \$10,885 at June 30, 1999 and June 30, 1998, respectively	1,546,200	1,101	1,547,301	0	1,547,301	1,329,591
Accounts receivable - CLC, Inc.	121,342	0	121,342	(121,342)	0	0
Note receivable - CLC, Inc.	5,109	0	5,109	(5,109)	0	0
Notes receivable - other	18,720	0	18,720	0	18,720	9,302
Prepaid expenses	7,113	0	7,113	0	7,113	4,367
Other assets	53,866	242	54,108	0	54,108	45,109
Total current assets	1,797,814	23,296	1,821,110	(126,451)	1,694,659	1,513,414
Fixed assets:						
Land, building and building improvements	6,051,088	582,623	6,633,711	0	6,633,711	4,705,834
Vehicles, furnishings and equipment	1,559,029	1,721	1,560,750	0	1,560,750	1,192,452
Accumulated depreciation	(2,696,153)	(169,088)	(2,865,241)	0	(2,865,241)	(2,544,860)
Total fixed assets, net	4,913,964	415,256	5,329,220	0	5,329,220	3,353,426
Other assets:						
Investments	1,613,950	0	1,613,950	0	1,613,950	1,466,794
Note receivable - CLC, Inc.	20,436	0	20,436	(20,436)	0	0
Investment in joint ventures	543,547	0	543,547	0	543,547	448,639
Encumbered assets	53,914	7,600	61,514	0	61,514	70,470
Total other assets	2,231,847	7,600	2,239,447	(20,436)	2,219,011	1,985,903
Total assets	\$ 8,943,625	\$ 446,152	\$ 9,389,777	\$ (146,887)	\$ 9,242,890	\$ 6,852,743

See Independent Auditors' Report on Supplementary Information.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JJUNE 30, 1999
WITH SUMMARIZED INFORMATION FOR JUNE 30, 1998

	VOA/GNO, Inc.	CLC, Inc.	Total	Eliminations	Consolidated	
					1999	1998
LIABILITIES AND NET ASSETS						
Current liabilities:						
Bank overdrafts	\$ 538,064	\$ 0	\$ 538,064	\$ 0	\$ 538,064	\$ 431,756
Accounts payable	338,477	3,350	341,827	0	341,827	105,419
Accounts payable - VOA/GNO, Inc.	0	121,342	121,342	(121,342)	0	0
Mortgages and notes payable	796,486	0	796,486	0	796,486	348,519
Notes payable - VOA/GNO, Inc.	0	5,109	5,109	(5,109)	0	0
Current portion of obligations under capital leases	16,175	0	16,175	0	16,175	0
Accrued expenses	759,899	3,950	763,849	0	763,849	673,999
Other liabilities	94,158	27,793	121,951	0	121,951	139,023
Total current liabilities	2,543,259	161,544	2,704,803	(126,451)	2,578,352	1,698,716
Other liabilities:						
Mortgages and notes payable	2,024,024	427,299	2,451,323	0	2,451,323	1,068,300
Note payable - VOA/GNO, Inc.	0	20,436	20,436	(20,436)	0	0
Long-term portion of obligations under capital leases	47,842	0	47,842	0	47,842	0
Other	7,407	0	7,407	0	7,407	7,407
Total other liabilities	2,079,273	447,735	2,527,008	(20,436)	2,506,572	1,075,707
Total liabilities	4,622,532	609,279	5,231,811	(146,887)	5,084,924	2,774,423
Net assets:						
Unrestricted	4,294,226	(163,127)	4,131,099	0	4,131,099	4,052,394
Permanently restricted	26,867	0	26,867	0	26,867	25,926
Total net assets	4,321,093	(163,127)	4,157,966	0	4,157,966	4,078,320
Total liabilities and net assets	\$ 8,943,625	\$ 446,152	\$ 9,389,777	\$ (146,887)	\$ 9,242,890	\$ 6,852,743

See Independent Auditors' Report on Supplementary Information.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1999
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 1998

	VOA/GNO, Inc.	CLC, Inc.	Total	Eliminations	Consolidated	
					1999	1998
REVENUES						
Revenues from operations:						
Public support received directly:						
Contributions	\$ 133,863	\$ 0	\$ 133,863	\$ 0	\$ 133,863	\$ 94,861
Special events, net of direct benefit cost of \$ 31,230 and \$27,659 for the years ended June 30, 1999 and 1998, respectively	122,382	0	122,382	0	122,382	113,647
Public support received indirectly: United Way	137,171	0	137,171	0	137,171	123,506
Total public support	393,416	0	393,416	0	393,416	332,014
Revenues and grants from governmental agencies	10,119,761	100,368	10,220,149	0	10,220,149	9,359,566
Other revenue:						
Program service fees	958,114	0	958,114	(6,086)	952,028	784,566
Rental income	35,025	20,025	55,050	(20,025)	35,025	77,075
Sales of materials, net	1,668,897	0	1,668,897	0	1,668,897	1,738,509
Total other revenues	2,662,036	20,025	2,682,061	(26,111)	2,655,950	2,600,150
Total operating revenues	13,175,213	120,413	13,295,626	(26,111)	13,269,515	12,291,730

See Independent Auditors' Report on Supplementary Information.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1999
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 1998

	VOA/GNO, Inc.	CLC, Inc.	Total	Eliminations	Consolidated	
					1999	1998
EXPENSES						
Operating expenses:						
Program services:						
Children and youth	\$ 2,813,046	\$ 0	\$ 2,813,046	\$ 0	\$ 2,813,046	\$ 3,330,168
Substance abuse	94,012	0	94,012	0	94,012	11,541
Mental health	3,264,791	117,812	3,382,603	(26,111)	3,356,492	2,387,322
Mental retardation/Developmental disability	1,857,193	0	1,857,193	0	1,857,193	1,486,694
Correctional services	967,578	0	967,578	0	967,578	1,054,933
Elderly services	675,850	0	675,850	0	675,850	633,460
Employment and training services	229,781	0	229,781	0	229,781	212,451
Community enhancement	1,549,812	0	1,549,812	0	1,549,812	1,490,280
Total program services	11,452,063	117,812	11,569,875	(26,111)	11,543,764	10,606,849
Supporting services						
Management and general	1,532,785	0	1,532,785	0	1,532,785	1,409,695
Total supporting services	1,532,785	0	1,532,785	0	1,532,785	1,409,695
Administrative fee	283,739	0	283,739	0	283,739	273,009
Total operating expenses	13,268,587	117,812	13,386,399	(26,111)	13,360,288	12,289,553
Excess (deficiency) from operations	(93,374)	2,601	(90,773)	0	(90,773)	2,177

See Independent Auditors' Report on Supplementary Information.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1999
WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 1998

	VOA/GNO, Inc.	CLC, Inc.	Total	Eliminations	Consolidated	
					1999	1998
OTHER GAINS (LOSSES)						
Non-operating gains (losses):						
Interest and dividend income	\$ 47,056	\$ 284	\$ 47,340	\$ 0	\$ 47,340	\$ 45,422
Gain on sale of investments	103,902	0	103,902	0	103,902	138,784
Gain on sale of assets	11,475	0	11,475	0	11,475	0
Unrealized gain (loss) on investments	(46,985)	0	(46,985)	0	(46,985)	63,208
Other income	54,687	0	54,687	0	54,687	87,843
Total non-operating gains (losses)	170,135	284	170,419	0	170,419	335,257
Change in net assets	76,761	2,885	79,646	0	79,646	337,434
Net assets, beginning of year	4,244,332	(166,012)	4,078,320	0	4,078,320	3,740,886
Net assets, end of year	\$ 4,321,093	\$ (163,127)	\$ 4,157,966	\$ 0	\$ 4,157,966	\$ 4,078,320

See Independent Auditors' Report on Supplementary Information.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS
 SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM (UNAUDITED)
 FOR THE YEAR ENDED JUNE 30, 1999

	Organization Total	Supporting Services	Total Program Services	Children and Youth	Substance Abuse	Mental Health	Mental			Elderly Services	Employment Training Services	Community Enhancement
							Retardation/ Developmental Disability	Correctional Services				
REVENUE												
Client generated self-support	\$ 2,649,758	\$ 20,756	\$ 2,629,002	\$ 204,809	\$ 78,095	\$ 217,496	\$ 10,925	\$ 220,453	\$ 22,455	\$ 177,378	\$ 1,697,391	
Board generated self support	287,473	62,192	225,281	144,901	0	1,294	347	14	78,138	587	0	
Government grants and contracts	10,220,149	0	10,220,149	2,686,046	0	3,653,251	2,144,273	1,029,780	642,607	64,192	0	
Other revenue	138,882	102,655	36,227	2,987	22	6,168	2,833	5,408	1,350	354	17,105	
United Way designations	6,501	6,501	0	0	0	0	0	0	0	0	0	
Total revenue	13,302,763	192,104	13,110,659	3,038,743	78,117	3,878,209	2,158,378	1,255,655	744,550	242,511	1,714,496	
United Way allocation	137,171	0	137,171	73,560	0	0	0	0	63,611	0	0	
Grand total revenue	13,439,934	192,104	13,247,830	3,112,303	78,117	3,878,209	2,158,378	1,255,655	808,161	242,511	1,714,496	
EXPENSES												
Compensation expenses	7,673,862	819,466	6,854,396	1,308,874	36,548	1,588,275	1,671,129	671,476	526,098	176,470	875,526	
Occupancy expenses	1,202,852	78,462	1,124,390	226,813	18,519	414,140	33,003	80,477	37,880	15,505	298,053	
Travel and transportation expense	366,721	2,576	364,145	61,157	3,860	104,120	56,091	12,673	23,562	3,359	99,323	
Specific assistance	513,467	0	513,467	78,436	0	429,463	2,115	1,057	1,706	248	442	
Board generated self-support	283,739	33,260	250,479	61,038	2,040	72,830	40,298	20,995	14,664	4,988	33,628	
Other direct program support	3,022,121	540,491	2,481,630	1,099,851	31,601	760,733	91,538	177,123	86,549	32,803	201,432	
Total expenses before depreciation	13,062,762	1,474,255	11,588,507	2,836,169	92,568	3,369,561	1,894,174	963,801	690,459	233,371	1,508,404	
Depreciation	297,526	91,790	205,736	37,915	3,484	59,761	3,317	24,772	55	1,396	75,036	
Grand total expenses	13,360,288	1,566,045	11,794,243	2,874,084	96,052	3,429,322	1,897,491	988,573	690,514	234,767	1,583,440	
Net difference	\$ 79,646	\$ (1,373,941)	\$ 1,453,587	\$ 238,219	\$ (17,935)	\$ 448,887	\$ 260,887	\$ 267,082	\$ 117,647	\$ 7,744	\$ 131,056	

See Independent Auditors' Report on Supplementary Information.

**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**

To the Board of Directors of
Volunteers of America of Greater New Orleans, Inc.

We have audited the consolidated financial statements of **Volunteers of America of Greater New Orleans, Inc. (the Organization)** as of and for the year ended June 30, 1999, and have issued our report thereon dated October 8, 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 **the Organization's** consolidated 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*.

**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
(CONTINUED)**

To the Board of Directors of
Volunteers of America of Greater New Orleans, Inc.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **the Organization'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.* However, we noted other matters involving internal control over financial reporting that we have reported to management of **the Organization** in a separate letter dated October 8, 1999.

This report is intended solely for the information of the Board of Directors, management, the Legislative Auditor of the State of Louisiana 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.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

**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**

To the Board of Directors of
Volunteers of America of Greater New Orleans, Inc.

Compliance

We have audited the compliance of **Volunteers of America of Greater New Orleans, Inc. (the Organization)** with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1999. **The Organization's** major federal programs are identified in the summary of independent auditors' 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 **the Organization's** management. Our responsibility is to express an opinion on **the Organization'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 **the Organization'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 **the Organization's** compliance with those requirements.

**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
(CONTINUED)**

To the Board of Directors of
Volunteers of America of Greater New Orleans, Inc.

In our opinion, **Volunteers of America of Greater New Orleans, Inc.** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

The management of **the Organization** 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 **the Organization's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

**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
(CONTINUED)**

To the Board of Directors of
Volunteers of America of Greater New Orleans, Inc.

This report is intended solely for the information of the Board of Directors, management, the Legislative Auditor of the State of Louisiana 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.

Bruno & Tervalon
**BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS**

October 8, 1999

**VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 1999**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- o Material weakness(es) identified? yes no
- o Reportable condition(s) identified
that are not considered to be
material weaknesses? yes none reported

Noncompliance material to financial
statements noted? yes no

Federal Awards

Internal control over major programs:

- o Material weakness(es) identified? yes no
- o Reportable condition(s) identified
that are not considered to be
material weaknesses? yes none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with section 510(a)
of Circular A-133 yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.157	Section 202 Direct Loan Program
14.235	Supportive Housing Program

Dollar threshold used to distinguish
between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee: yes no

**VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1999**

Section II - Financial Statement Findings

None reported.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1999

Section III - Federal Award Findings and Questioned Cost

None reported.

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

<u>Status</u>		
<u>Fully</u>	<u>Partially</u>	<u>Not</u>
<u>Resolved</u>	<u>Resolved</u>	<u>Resolved</u>

Financial Statement Findings

None reported.

Federal Award Findings and Questioned Cost

98-01	Tenant Application, Eligibility and Re-certification	X
98-02	Rent Reasonableness	X
98-03	HUD Form 40118, Grantee Annual Report	X

Management Letter Comments

98-MLC-01	Conflict of Interest Statements	X
-----------	---------------------------------	---

**VOLUNTEERS OF AMERICA/GREATER NEW ORLEANS, INC.
EXIT CONFERENCE**

The audit report was discussed at the exit conference with the management of the **Organization**. The individuals in attendance at the exit conference were as follows:

VOLUNTEERS OF AMERICA OF GREATER NEW ORLEANS, INC.

Mr. James M. LeBlanc	President/CEO
Mr. Frederic E. Drew, III, CPA	Vice President of Finance and Administration
Mr. Karl A. Lirette	Controller

**BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS**

Mr. Michael B. Bruno, CPA	Partner
Mr. Armand Pinkney	Supervisor

Bruno & Tervalon
**BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS**

October 8, 1999



Volunteers of America
Greater New Orleans
Touching lives. Building community.

Chief Warren E. McDaniels
Chair

James M. LeBlanc
President/CEO

October 27, 1999

Board of Directors

Kurt Davis
Thomas Dupaty
Charles W. Easterling
Ernestine S. Gray
Mary J. Koss
Michelle O. Landrieu
Alex L. Lewis, III
John C. Martin
Ruth R. McCusker
D. Richard Moore, Jr.
Sr. Marie Jeanne Mouldoux, RSM
Ruby E. Noble
Newell D. Normand
Leonard D. Simmons, Jr.
Fred W. Taul
Dr. Ralph Thayer
Oliver M. Thomas

Responses to Independent Auditors' Comments to Management

The Year 2000 Issue:

The agency is continuing its efforts towards Year 2000 compliance. A Year 2000 Task Force was created earlier this year and it continues to take steps towards Year 2000 compliance.

Organizational Structure:

Staff are being cross-trained in all monthly accounting duties. Outside consultants have been engaged in staff training and in-house staff training is also being developed.

Frederic E. Drew, III
Vice-President, Finance

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

Board of Directors

Volunteers of America of Greater New Orleans, Inc.

In planning and performing our audit of the financial statements of **Volunteers of America of Greater New Orleans, Inc. (the Organization)** for the year ended June 30, 1999, 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. The following summarizes our comments and recommendations concerning those matters:

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.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT, CONTINUED

Board of Directors
Volunteers of America of Greater New Orleans, Inc.

The Year 2000 Issue presents yet another challenge: the algorithm used in some computer programs for calculating leap years may be unable to detect that the year 2000 is a leap year. Therefore, systems that are not year 2000 compliant may produce incorrect results.

Recommendation

We recommend that **the Organization** continue its efforts toward Year 2000 compliance. 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 continue to perform 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.

Organizational Structure

The size of **the Organization's** accounting department necessitates that staff members perform a variety of duties. During the year ended June 30, 1999 the accounting department experienced turnover in certain key positions which resulted in delays in performing various monthly accounting functions (i.e. bank reconciliations, billings for monthly services rendered, etc.)

Recommendation

We recommend that all accounting department staff members be cross-trained in all monthly accounting duties to prevent delays in the performance of monthly accounting duties due to staff turnover, vacations, or other unforeseen absences.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT,
CONTINUED

Board of Directors
Volunteers of America of Greater New Orleans, Inc.

This letter does not affect our report dated October 8, 1999 on the financial statements of **the Organization**. 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.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

October 8, 1999