START CORPORATION AND SUBSIDIARY

Consolidated Financial Reports

June 30, 1999

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Consolidated Financial Reports

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TABLE OF CONTENTS

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Bergeron & Lanaux

— Certified Public Accountants —

A Professional Corporation

Claude E. Bergeron, CPA
Thomas J. Lanaux, CPA
Michael D. Bergeron, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
START Corporation and Subsidiary
Houma, Louisiana

We have audited the accompanying consolidated statement of financial position of START Corporation and Subsidiary (non-profit organizations) as of June 30, 1999, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of START Corporation and Subsidiary as of June 30, 1999, and the results of their operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated October 11, 1999 on our consideration of START Corporation and Subsidiary's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of START Corporation and Subsidiary taken as a whole. The accompanying supplementary consolidated statement of unrestricted functional revenues and expenses presented in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit 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.

Bergeron & Lanaux

October 11, 1999

START CORPORATION AND SUBSIDIARY

Consolidated Statement of Financial Position

June 30, 1999

ASSETS		
Current assets:		
Cash and cash equivalents	$ 16,818	
Grant and contract receivables	34,793	
Other prepaid expenses and deposits	15,244	
Total current assets		$ 66,855
Land, buildings, and equipment at cost:		
Land	24,611	
Buildings and renovations	91,872	
Leasehold improvements	21,970	
Furniture, fixtures & equipment	72,628	
Vehicles	33,088	
		244,169
Less accumulated depreciation		(117,086)
Net land, buildings, and equipment		127,083
Total assets		$ 193,938
LIABILITIES AND FUND BALANCES		
Current liabilities:		
Notes payable	$ 107,022	
Payroll taxes payable	2,789	
Total current liabilities		$ 109,811
Net assets:		
Unrestricted net assets	74,227	
Temporarily restricted net assets	9,900	
Total net assets		84,127
Total liabilities and net assets		$ 193,938

See notes to financial statements

START CORPORATION AND SUBSIDIARY

Consolidated Statement of Activities

Year Ended June 30, 1999

Changes in unrestricted net assets:		
Revenues and gains:		
Fees, grants, and contracts from governmental agencies	$ 334,548	
Contributions	5,858	
Total public support		$ 340,406
Other revenues:		
Program service fees	47,774	
Fees and sales to public	8,061	
Miscellaneous	484	
Total other revenues		56,319
Total unrestricted revenues and gains		396,725
Expenses:		
Program Services:		
McKinny Funds	31,332	
Psychosocial Recovery Skills	125,001	
Vocational Services	27,085	
Housing Development	6,147	
Transitional Living Center	109,581	
Total program services		299,146
Supporting Services:		
Management and general	94,113	
Fundraising	-	
Total supporting services		94,113
Total Expenses		393,259
Increase in unrestricted net assets		3,466
Changes in temporarily restricted net assets:		
Contributions	4,400	
Increase in temporarily restricted net assets		4,400
Increase in net assets		7,866
Net assets at beginning of year		76,261
Net assets at end of year		$ 84,127

See notes to financial statements

START CORPORATION AND SUBSIDIARY

Consolidated Statement of Cash Flows

Year Ended June 30, 1999

Cash flows from operating activities:		
Change in net assets	$	7,866
Noncash adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation		9,982
Gain on sale of asset		(632)
Changes in:		
Grants & contracts receivable		(6,539)
Prepaid expenses		3,053
Payroll taxes payable		2,785
Net cash provided by (used in) operating activities		16,515
Cash flows from investing activities:		
Purchase of vehicles and building renovations		(19,778)
Proceeds from the sale of assets		820
Net cash provided by (used in) investing activities		(18,958)
Cash flows from financing activities:		
Gross borrowings		76,855
Payments on notes payable		(71,245)
Net cash provided by (used in) financing activities		5,610
Net increase (decrease) in cash and cash equivalents		3,167
Cash and cash equivalents at beginning of year		13,651
Cash and cash equivalents at end of year	$	16,818
Supplemental data:		
Interest paid	$	7,707

See notes to financial statements

START CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

1) Organization

START Corporation and Subsidiary (START) operate as a voluntary non-profit organization which provides rehabilitation services, training, placement, and employment for mentally and physically handicapped individuals in Terrebonne, Lafourche, St. John, St. James and St. Charles Parishes.

2) Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies:

a) Principles of Consolidation. The consolidated financial statements of START Corporation include the accounts of START and its wholly-owned subsidiary, Housing Assistance for Defined Disabilities, Inc. (HADD). All significant intercompany transactions have been eliminated in consolidation.

b) Basis of Accounting & Presentation. Funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

START reports three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The financial statements do not include any permanently restricted net assets.

c) Property and Equipment. Property and equipment are recorded at historical cost or, if donated, at the fair market value on the date donated and are depreciated on straight-line and accelerated methods over their estimated useful lives as follows:

Buildings and renovations	39 years
Leasehold improvements	8 years
Vehicles	3-5 years
Furniture, fixtures and equipment	5-7 years

Expenditures for renewals and betterments are capitalized and expenditures for ordinary maintenance and repairs are expensed as incurred. The cost and accumulated depreciation applicable to assets retired or sold, if any, are removed from the respective accounts and gains or losses thereon are included in operations. Depreciation expense for the year ended June 30, 1999 totaled $9,982.

d) Functional Expenses. START allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by management. Principal programs are as follows:

i) McKinny Funds – Program designed to provide the avenues needed by homeless individuals and families to move out of homelessness and into self-sufficiency and stable, permanent housing. This program is a collaboration of four community-based social service organizations, including START Corporation. START's role in the program is arranging transitional housing.

ii) Psychosocial Recovery Skills – A training program designed to teach a variety of psychosocial recovery skills in the field and community. These skills are essential to the seriously mentally ill adult for a successful recovery process and enhance the individual's ability to negotiate the environment as independently as possible.

iii) Vocational Services – Program provides opportunities for pre-vocational and direct vocational training and placement of individuals with severe mental or physical disabilities.

iv) Housing Development – Program is designed to assist in the recovery of individuals with serious mental illness by providing the necessary technical and practical support in locating and providing safe, secure and affordable housing.

v) Transitional Living Center – Program provides emergency respite and system respite through residential and telephone crisis services to consumers with serious mental illness. Protecting the health, safety and welfare of consumers with serious mental illness is a primary concern of the program.

e) Advertising Costs. Advertising costs are charged to operations when incurred, except for direct-response advertising. The costs of direct-response advertising are capitalized and amortized over the period which future benefits are expected to be received. There were no direct-response advertising costs incurred during the year. Advertising costs incurred and charged to operations was $374 for the year ended June 30, 1999.

f) Accumulated Vacation and Sick Leave. Vacation and sick leave do not vest to the employee and, accordingly, have not been accrued. Employees accumulate 1 day of vacation per month to a maximum of 12 days. Employees accumulate 1 day of sick leave per month to a maximum of 60 days. Unused sick leave carries over into the next year. Upon termination, any unused vacation or sick leave is forfeited.

g) Income Taxes. START is a non-profit organization and is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code of 1986. HADD, its wholly-owned subsidiary, is a title holding corporation exempt from income taxes under Section 501(c) (2) of the Internal Revenue Code of 1986. Accordingly, no provisions for income taxes have been made in the financial statements.

h) Cash and Cash Equivalents. For purposes of the statement of cash flows, START considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

i) Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3) Notes Payable

Notes payable at June 30, 1999 follow:

11.75% insurance notes payable in monthly installments of principal and interest of $1,745, maturing March, 2000.	$	12,813
8.50% note payable to Hibernia National Bank. The note is payable on demand, and if no demand is made, in monthly installments of $913, including interest with an approximate remaining principle balance of $64,000 due March 26, 2004 collateralized by building and land.		84,260
8.90% note payable to Hibernia National Bank. The note is payable on demand, and if no demand is made, in monthly installments of $608, including interest due March 2, 2000, collateralized by a vehicle.		4,704
8.25% note payable to Hibernia National Bank. The note is payable on demand, and if no demand is made, in monthly installments of $457, including interest due June 10, 2000, collateralized by a vehicle.		5,245
Total notes payable	$	107,022

Total interest incurred on both short-term and long-term debt was $7,707 which was charged to interest expense for the year ended June 30, 1999.

START maintains a $35,000 line of credit at Hibernia National Bank bearing interest at 10.75%, renewed annually. As of June 30, 1999, the line of credit retained no balance.

4) Temporarily Restricted Net Assets

START received temporarily restricted contributions to provide facilities for safe and affordable housing for persons with mental illness.

5) Funding

START receives its principal funding through grants and contracts from the following governmental agencies:

United States Department of Housing and Urban Development:		
McKinny Funds	$	30,697
State of Louisiana Department of Health and Hospitals:		
Psychosocial Recovery Skills		109,810
Transitional Living Center		153,524
State of Louisiana Division of Rehabilitation Services:		
Vocational Services		40,517
	$	334,548

6) Operating Leases

START entered into a two year lease agreement with South Louisiana Electric Cooperative Association beginning August 1, 1999 and ending July 31, 2001. This lease is a renewal of its lease on its main office facility located at 420 Magnolia Street, Houma, Louisiana.

START entered into a one year residential lease agreement commencing April 1, 1999 and ending March 31, 2000 to lease eight apartments for a period of one year. The apartments are used to provide temporary housing for individuals qualifying for its McKinny Funds and Psychosocial Skills Programs.

Minimum future rental payments under the non-cancelable operating leases as of June 30, 1999 for each of the next three years and in the aggregate follow:

June 30,		
2000	$	28,900
2001		4,700
2002		400
	$	34,000

Following is a summary of rental expense under all operating leasing:

Mimimum rentals	$	33,600
Less sublease rentals		(3,600)
Total rent expense	$	30,000

7) Management, Bookkeeping Revenues and Related Parties

START entered into a management and bookkeeping agreement with Taddy Village, Inc., a not-for-profit corporation providing housing to seriously ill individuals in Houma, Louisiana, beginning July 16, 1997. START provides management and bookkeeping services for $250 plus 5% of Taddy Village, Inc.'s total income per month. The agreement may be terminated by either party at any time with a thirty day notice. As of June 30, 1999, revenues from management and bookkeeping services amounted to $7,248.

Certain board members of START are also board members of Taddy Village, Inc.

8) Deferred Compensation Plans

Employees of START have the option to participate in a deferred compensation program as defined by Internal Revenue Code Section 403 (b) (tax sheltered annuities). START has the responsibility for withholding and remitting contributions from participants to the plan. An insurance company serves as administrator and has the responsibility for maintaining a deferred account with respect to each participant, investing the participant's account in accordance with the participant's investment specifications and reporting annually to the participant and the Company on the status of the plan.

9) Commitments, Contingencies and Economic Dependency

START receives a substantial portion of its revenues from state grants and contracts which are subject to audit by state government. The ultimate determination of amounts received under these programs generally is based on units of service provided or allowable costs reported to and audited by the applicable state agency. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable cost and service reimbursement. Management is of the opinion that no material liability will result from such audits.

START receives a significant portion of its revenues from state contracts. If these funding sources are significantly reduced, START will not be able to continue operations as it is presently structured.

SUPPLEMENTARY INFORMATION SECTION

Schedule 1

START CORPORATION
Consolidated Statement of Unrestricted Functional Revenues and Expenses - Unrestricted Net Assets
Year Ended June 30, 1999

	Program Services						Supporting Services			
	McKinny Funds	Psychosocial Recovery Skills	Vocational Services	Housing Development	Transitional Living Center	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total All Services
Revenues:										
Public support:										
Fees, grants and contracts from governmental agencies	$ 30,697	$ 109,810	$ 40,517	$ -	$ 153,524	$ 334,548	$ -	$ -	$ -	$ 334,548
Contributions	-	-	-	-	-	-	63	5,795	5,858	5,858
	30,697	109,810	40,517	-	153,524	334,548	63	5,795	5,858	340,406
Other revenues:										
Program service fees	250	32,469	-	176	14,329	47,224	550	-	550	47,774
Fees and sales to public	202	-	-	1,018	-	1,220	6,841	-	6,841	8,061
Other	-	-	-	-	-	-	484	-	484	484
	452	32,469	-	1,194	14,329	48,444	7,875	-	7,875	56,319
Total revenues	31,149	142,279	40,517	1,194	167,853	382,992	7,938	5,795	13,733	396,725
Expenses:										
Salaries	9,826	44,428	17,232	-	65,900	137,386	61,707	-	61,707	199,093
Payroll taxes	991	4,019	1,578	-	6,513	13,101	5,242	-	5,242	18,343
Employee benefits	2,940	5,549	18	-	4,770	13,277	2,456	-	2,456	15,733
Total salary and related benefits	13,757	53,996	18,828	-	77,183	163,764	69,405	-	69,405	233,169
Advertising	-	109	-	-	-	109	265	-	265	374
Bank charges	-	-	-	-	-	-	128	-	128	128
Client assistance	14,911	38,536	-	-	-	53,447	-	-	-	53,447
Contract services	-	2,840	2,350	-	-	5,190	140	-	140	5,330
Dues and subscriptions	-	-	-	-	168	168	608	-	608	776
Insurance	2,393	6,256	2,773	222	6,436	18,080	1,972	-	1,972	20,052
Interest	-	-	-	-	-	-	7,707	-	7,707	7,707
Licenses, taxes and fees	-	110	-	-	80	190	923	-	923	1,113
Maintenance and repairs	-	2,373	25	-	4,967	7,365	3,460	-	3,460	10,825
Postage and delivery	66	166	-	-	-	232	-	-	-	232
Printing	-	254	-	-	-	254	-	-	-	254
Professional fees	-	3,646	580	5,925	1,582	11,733	2,305	-	2,305	14,038
Supplies and materials	-	757	-	-	8,793	9,550	231	-	231	9,781
Telephone	-	4,099	832	-	3,208	8,139	1,444	-	1,444	9,583
Travel	-	6,222	1,277	-	368	7,867	-	-	-	7,867
Utilities	205	12	420	-	5,354	5,991	3,242	-	3,242	9,233
Total expenses before depreciation	31,332	119,376	27,085	6,147	108,139	292,079	91,830	-	91,830	383,909
Depreciation of buildings & equipent	-	5,457	-	-	1,442	6,899	3,083	-	3,083	9,982
(Gain) loss on sale of asset	-	168	-	-	-	168	(800)	-	(800)	(632)
Total expenses	31,332	125,001	27,085	6,147	109,581	299,146	94,113	-	94,113	393,259
Excess (deficiency) of revenues over expenses	$ (183)	$ 17,278	$ 13,432	$ (4,953)	$ 58,272	$ 83,846	$ (86,175)	$ 5,795	$ (80,380)	$ 3,466

See notes to financial statement.

SUPPLEMENTARY FINANCIAL REPORTS

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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
START Corporation and Subsidiary
Houma, Louisiana

We have audited the financial statements of START Corporation and Subsidiary (non-profit organization) as of and for the year ended June 30, 1999, and have issued our report thereon dated October 11, 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 START Corporation and Subsidiary'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 START Corporation and Subsidiary'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 solely for the information of the Board of Directors, management, the Legislative Auditor for the State of Louisiana, and regulatory agencies and is not intended to be and should not be used by anyone other than these specific parties.

Bergeron + Lanaux

October 11, 1999

START CORPORATION AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 1999

We have audited the financial statements of START Corporation and Subsidiary as of and for the year ended June 30, 1999, and have issued our report thereon dated October 11, 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. Our audit of the financial statements as of June 30, 1999 resulted in an unqualified opinion. We did not issue a separate management letter as a result of this engagement.

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control		
Material Weakness	____Yes	XX No
Reportable Conditions	____Yes	XX No
Compliance		
Compliance Material to Financial Statements	____Yes	XX No

b. Federal Awards - Not required since Federal financial assistance was under $300,000.

c. Identification of Major Programs:

CFDA Number(s)	Name of Federal Program or Cluster
Not applicable	

Section II Financial Statement Findings

There were none.

Section III Federal Award Findings and Questioned Costs

Not Applicable.

START CORPORATION AND SUBSIDIARY
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 1999

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

There were none for year ended June 30, 1998.

SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

Not applicable.

SECTION III MANAGEMENT LETTER

No management letter was issued for year ended June 30, 1998.

START CORPORATION AND SUBSIDIARY
MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended June 30, 1999

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENT

No findings were reported which require a response from management.

SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

Not applicable.

SECTION III MANAGEMENT LETTER

No management letter was issued.