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Providence House
Shreveport, Louisiana

Financial Statements

As of and for the Years Ended September 30, 1998 and 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4-14-99

Providence House

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Independent Auditors' Report

To the Board of Directors
Providence House

We have audited the accompanying statements of financial position of Providence House (a nonprofit organization) as of September 30, 1998 and 1997, and the statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Providence House's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Providence House at September 30, 1998 and 1997, and the changes in its net assets and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 4, 1999 on our consideration of Providence House's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Cook and Morehart
Certified Public Accountants
March 4, 1999

Providence House
Statements of Financial Position
September 30, 1998 and 1997

Assets	<u>1998</u>	<u>1997</u>
Current assets:		
Cash and equivalents	\$ 87,598	\$ 31,231
Investments	223,535	114,474
Grant receivables	75,971	51,767
Other receivables	168	624
Total current assets	<u>387,272</u>	<u>198,096</u>
Property and equipment	493,179	454,728
Accumulated depreciation	<u>(149,075)</u>	<u>(108,369)</u>
Net property and equipment	<u>344,104</u>	<u>346,359</u>
Other assets:		
Restricted cash – resettlement funds	42,457	17,117
Total Assets	<u>\$ 773,833</u>	<u>\$ 561,572</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 27,200	\$ 8,843
Accrued expenses	<u>36,744</u>	<u>26,106</u>
Total current liabilities	63,944	34,949
Escrowed resettlement funds	<u>42,457</u>	<u>17,117</u>
Total liabilities	<u>106,401</u>	<u>52,066</u>
Net assets:		
Unrestricted:		
Operating	157,462	90,967
Board designated	344,104	346,359
Fixed assets	<u>154,469</u>	<u>72,180</u>
Total unrestricted	<u>656,035</u>	<u>509,506</u>
Temporarily restricted	<u>11,397</u>	<u>-</u>
Total net assets	<u>667,432</u>	<u>509,506</u>
Total Liabilities and Net Assets	<u>\$ 773,833</u>	<u>\$ 561,572</u>

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

Providence House
Statement of Activities
For the Year Ended September 30, 1997

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support:			
Contractual revenue -- grants	\$ 300,835	\$ -	\$ 300,835
United Way allocation	53,725	-	53,725
Donations and contributions	438,928	-	438,928
Interest income	9,330	-	9,330
Net assets released from restrictions:			
Restrictions satisfied by expending funds for the purpose intended	10,500	(10,500)	-
Total revenues and other support	<u>813,318</u>	<u>(10,500)</u>	<u>802,818</u>
Functional Expenses:			
Program services	614,108	-	614,108
General administrative	77,173	-	77,173
Fund raising	23,558	-	23,558
Total expenses	<u>714,839</u>	<u>-</u>	<u>714,839</u>
Change in net assets	98,479	(10,500)	87,979
Net assets as of beginning of year	411,027	10,500	421,527
Net assets as of end of year	<u>\$ 509,506</u>	<u>\$ -</u>	<u>\$ 509,506</u>

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

Providence House
Statement of Activities
For the Year Ended September 30, 1998

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support:			
Contractual revenue – grants	\$ 489,178	\$ –	\$ 489,178
United Way allocation	64,520	–	64,520
Donations and contributions	462,052	20,000	482,052
Other income	3,272	–	3,272
Interest income	11,564	–	11,564
Net unrealized losses on investments	(17,681)	–	(17,681)
Net assets released from restrictions:			
Restrictions satisfied by expending funds for the purpose intended	8,603	(8,603)	–
Total revenues and other support	<u>1,021,508</u>	<u>11,397</u>	<u>1,032,905</u>
Functional Expenses:			
Program services	759,949	–	759,949
General administrative	92,878	–	92,878
Fund raising	22,152	–	22,152
Total expenses	<u>874,979</u>	<u>–</u>	<u>874,979</u>
Change in net assets	146,529	11,397	157,926
Net assets as of beginning of year	509,506	–	509,506
Net assets as of end of year	<u>\$ 656,035</u>	<u>\$ 11,397</u>	<u>\$ 667,432</u>

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

Providence House
Statement of Functional Expenses
For the Year Ended September 30, 1997

	<u>Program Services</u>	<u>General Administration</u>	<u>Fund Raising</u>	<u>Total</u>
Expenses:				
Salaries and wages	\$ 364,338	\$ 32,861	\$ 11,334	\$ 408,533
Employee benefits	32,138	2,679	992	35,809
Payroll taxes and workers compensation	49,028	4,422	1,525	54,975
Office expense	-	8,424	9,707	18,131
Legal and accounting	-	3,745	-	3,745
Telephone	-	4,555	-	4,555
Utilities	35,538	-	-	35,538
Insurance	20,921	-	-	20,921
Repairs and maintenance	19,543	-	-	19,543
Vehicles	3,149	-	-	3,149
Resident expenses	6,486	-	-	6,486
Childrens' summer program	10,547	-	-	10,547
Resident graduation program	6,100	-	-	6,100
Resident counseling program	13,915	-	-	13,915
Offsite supportive housing	23,847	-	-	23,847
Travel and training	-	2,800	-	2,800
Other	1,481	9,629	-	11,110
Depreciation	27,077	8,058	-	35,135
	<u>\$ 614,108</u>	<u>\$ 77,173</u>	<u>\$ 23,558</u>	<u>\$ 714,839</u>
Total expenses				

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

Providence House
Statement of Functional Expenses
For the Year Ended September 30, 1998

	<u>Program Services</u>	<u>General Administration</u>	<u>Fund Raising</u>	<u>Total</u>
Expenses:				
Salaries and wages	\$ 379,702	\$ 46,328	\$ 11,854	\$ 437,884
Employee benefits	41,236	5,031	1,297	47,564
Payroll taxes and workers compensation	49,247	6,009	1,537	56,793
Office expense	8,441	8,442	7,464	24,347
Legal and accounting	-	4,400	-	4,400
Telephone	1,952	2,929	-	4,881
Utilities	25,799	-	-	25,799
Insurance	15,584	-	-	15,584
Repairs and maintenance	25,876	-	-	25,876
Vehicles	3,144	-	-	3,144
Resident expenses	33,533	-	-	33,533
Childrens' summer program	10,317	-	-	10,317
Resident graduation program	8,315	-	-	8,315
Resident counseling program	14,941	-	-	14,941
Offsite supportive housing	102,156	-	-	102,156
Travel and training	3,973	2,649	-	6,622
Other	2,961	9,156	-	12,117
Depreciation	32,772	7,934	-	40,706
 Total expenses	 <u>\$ 759,949</u>	 <u>\$ 92,878</u>	 <u>\$ 22,152</u>	 <u>\$ 874,979</u>

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

Providence House
Statement of Cash Flows
For the Year Ended September 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Operating activities		
Change in net assets	\$ 157,926	\$ 87,979
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	40,706	35,135
Net unrealized losses on investments	17,681	-
(Increase) decrease in operating assets:		
Grant receivables	(24,204)	(25,903)
Other receivables	456	879
Increase (decrease) in operating liabilities:		
Accounts payable	18,357	1,317
Accrued expenses	10,638	6,481
 Net cash provided by operating activities	 <u>221,560</u>	 <u>105,888</u>
 Investing Activities		
Payments for property and equipment	(38,451)	(97,436)
Purchases of short-term investments	(126,742)	(114,474)
Net cash used in investing activities	<u>(165,193)</u>	<u>(211,910)</u>
 Financing Activities		
Payments on note payable	<u>--</u>	<u>(18,034)</u>
Net cash provided in financing activities	<u>--</u>	<u>(18,034)</u>
 Net increase (decrease) in cash and cash equivalents	 56,367	 (124,056)
 Cash and cash equivalents as of beginning of year	 31,231	 155,287
 Cash and cash equivalents as of end of year	 <u>\$ 87,598</u>	 <u>\$ 31,231</u>

Interest expense for the period ending September 30, 1997 was \$1,030 and \$0 for 1998.

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

Providence House
Notes to Financial Statements
September 30, 1998 and 1997

(1) Summary of Significant Accounting Policies

A. Nature of Activities

Providence House is a nonprofit corporation under the laws of the State of Louisiana. Providence House was established to provide housing services, training, employment and opportunities for breaking the cycle of homelessness. The support for Providence House comes primarily from private donations and grants which represent approximately 53% of revenues.

Approximately 47% of total revenues consist of contractual revenue of federal and state funds. A brief description of the programs – contracts, which are funded with those federal and state funds, are listed below with their approximate percentage of total revenues:

Emergency Shelter Grants Program (10%) - Provides funds to assist in maintaining a shelter for homeless families. Funding is provided by federal funds passed through the City of Shreveport.

Emergency Food and Shelter – FEMA (2%) - Provides funds to assist in maintaining a shelter for homeless families. Funding is provided by federal funds passed through the local FEMA Board.

Children's Trust Fund (2%) - Provides funds to assist homeless children and their families to aid in the prevention of child abuse and neglect. Specifically to implement a resource support system to provide emotional, medical, educational and recreational support services for homeless children and their parents. Funding is provided by federal and state funds passed through the State of Louisiana Department of Social Services.

Supplemental Assistance for Facilities to Assist the Homeless (SAFAH) (5%) - Provides funds for the operation of a child care program for the residents of a homeless shelter and other homeless children. Funding is provided by federal funds passed through Shreveport SRO, Inc.

Community Development Block Grant (3%) - Provides funds to provide shelter for the homeless and to assist families with breaking the cycle of homelessness. Specifically, to ensure that families will be allowed to move from a structured program to an unstructured, independent program through a series of levels showing a proven responsibility and disciplined lifestyle. Funding is provided by federal and state funds passed through the City of Shreveport.

Supportive Housing Program – Transitional Living Program (9%) - Provides funds to facilitate the movement of homeless individuals and families to permanent housing. The temporary housing is combined with supportive services to enable homeless individuals and families to live as independently as possible. This program funds the education, counseling, housing and follow-up programs for Providence House. Funding is provided by federal funds from the U.S. Department of Housing and Urban Development.

(Continued)

Providence House
Notes to Financial Statements
September 30, 1998 and 1997
(Continued)

Supportive Housing Program – Project Next Step (13%) - Provides funds to facilitate the movement of homeless individuals and families to permanent housing. The funds will provide lease arrangements for individuals and families along with supportive services to enable homeless individuals and families to break the cycle of homelessness. Funding is provided by federal funds from the U.S. Department of Housing and Urban Development.

Special Milk Program (.2%) - Provides funds to assist in providing milk to children who are residents of a homeless shelter, or children who are otherwise homeless. Funding is provided by federal funds passed through the State of Louisiana Department of Education.

B. Basis of Accounting

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

C. Basis of Presentation

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

D. Investments

Investments consist of U.S. Treasury Bills and marketable securities. U.S. Treasury Bills are stated at cost, which approximates the market value. Marketable securities are stated at fair value.

E. 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 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.

F. Cash and Cash Equivalents

Cash equivalents, as stated for cash flow purposes, consists of non-interest bearing bank accounts and short term highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

(Continued)

Providence House
Notes to Financial Statements
September 30, 1998 and 1997
(Continued)

G. Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The funding sources and the federal government may have a reversionary interest in certain property purchased with those funds. Its disposition as well as the ownership of any proceeds therefrom is subject to certain funding source regulations.

H. Revenue and Support

Donations and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contractual grant revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

I. Income Tax Status

Providence House is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the organization's tax-exempt purpose is subject to taxation as unrelated business income. Providence House had no such income during this audit period.

J. Retirement Plan

Providence House established a profit-sharing plan for eligible employees. The name of the plan is Providence House Retirement Plan. During the year ended September 30, 1998, Providence House amended its plan to allow employees to have a 401(k) option. The plan shall cover only employees having completed at least one year of service and having attained age 21. The employer contribution amount is determined by appropriate action of the Employer as of the time prescribed by law. Providence House accrued \$18,059 for the plan for the year ended September 30, 1997 and \$31,357 for the year ended September 30, 1998.

(Continued)

Providence House
Notes to Financial Statements
September 30, 1998 and 1997
(Continued)

(2) Concentrations of Credit Risk

Financial instruments that potentially subject Providence House to concentrations of credit risk consist principally of temporary cash investments and grant receivables.

Concentrations of credit risk with respect to grant receivables are limited due to these amounts being due from governmental agencies under contractual terms. As of September 30, 1998 and 1997, Providence House had no significant concentrations of credit risk in relation to grant receivables.

Providence House maintains cash balances at local financial institutions. Accounts at those institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At September 30, 1998 and 1997 there were no uninsured balances at those institutions. At September 30, 1998 and 1997, Providence House had no significant concentrations of credit risk.

(3) Investments

The historical cost and fair value of investments at September 30, 1998 and 1997 were as follows:

	<u>1998</u>		<u>1997</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. Treasury Bills	\$ 141,246	\$ 141,246	\$ 114,474	\$ 114,474
Stocks	88,138	70,457	-	-
Money market account	11,832	11,832	-	-
	<u>\$ 241,216</u>	<u>\$ 223,535</u>	<u>\$ 114,474</u>	<u>\$ 114,474</u>

(4) Grant Receivables

Various funding sources provide reimbursement of allowable costs under contracts or agreements. These balances represent amounts due from the funding sources at September 30, 1998 and 1997 but not received until after that date.

(Continued)

Providence House
Notes to Financial Statements
September 30, 1998 and 1997
(Continued)

(5) Fixed Assets

A summary of fixed assets as of September 30, 1998 follows:

	<u>Estimated Useful Life</u>	<u>Cost / Basis</u>	<u>Accumulated Depreciation</u>
Land	N/A	\$ 74,486	\$ -
Buildings	25 years	159,900	39,548
Building improvements	25 years	35,168	8,224
Furniture & fixtures	7 years	37,603	29,813
Office equipment	5 years	46,408	26,991
Kitchen equipment	7 years	14,828	4,341
Playground equipment	7 years	40,105	5,265
Classroom computer lab	5 years	60,233	22,669
Vehicles	5 years	24,448	12,224
		<u>\$ 493,179</u>	<u>\$ 149,075</u>

Depreciation expense for the year ended September 30, 1998 was \$40,706.

A summary of fixed assets as of September 30, 1997 follows:

	<u>Estimated Useful Life</u>	<u>Cost / Basis</u>	<u>Accumulated Depreciation</u>
Land	N/A	\$ 74,486	\$ -
Buildings	25 years	159,900	33,088
Building improvements	25 years	35,168	6,817
Furniture & fixtures	7 years	34,888	24,591
Office equipment	5 years	41,263	19,057
Kitchen equipment	7 years	4,582	2,788
Playground equipment	7 years	38,492	905
Classroom computer lab	5 years	41,501	13,789
Vehicles	5 years	24,448	7,334
		<u>\$ 454,728</u>	<u>\$ 108,369</u>

Depreciation expense for the year ended September 30, 1997 was \$35,135.

(Continued)

Providence House
Notes to Financial Statements
September 30, 1998 and 1997
(Continued)

(6) Restricted Cash – Resettlement Funds

The balance represents funds held by Providence House on behalf of the tenants of Providence House. Providence House has implemented a program whereby the tenants agree to escrow–deposit a certain percent of their support – wages into this account as they receive those funds. Upon graduation and/or leaving the shelter those funds will be distributed to the tenant or retained by Providence House. This amount is also shown as escrowed resettlement funds in the liability section on the statement of financial position.

(7) Unrestricted Net Assets – Board Designated

Included in the unrestricted net assets are amounts designated by the Board for the following:

	9-30-98	9-30-97
Funds received from insurance company designated for repairs to roofing structure	\$ 10,025	\$ 10,025
Funds received from a local organization designated for non–operating – capital expenditures	62,155	62,155
Funds designated by Board for internal endowment fund	82,289	–
	\$ 154,469	\$ 72,180

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 1998 consists of grant funds received for the purchase of furniture and equipment.

(Continued)

Providence House
Notes to Financial Statements
September 30, 1998 and 1997
(Continued)

(9) Contractual Revenue – Grants

Revenues shown as contracts with governmental agencies for the years ended September 30, 1998 and 1997 consist of the following:

	<u>1998</u>	<u>1997</u>
City of Shreveport – ESG	\$ 99,970	\$ 76,464
FEMA	16,193	15,440
Childrens Trust Fund	18,500	19,833
SAFAH Grant	53,848	51,491
Special Milk Program	1,625	1,675
CDBG	26,865	1,680
U.S. Department of HUD Supportive Housing	237,582	134,252
State Child Care Assistance	4,609	-
Food Stamp Program	29,986	-
	<u>\$ 489,178</u>	<u>\$ 300,835</u>

(10) Accrued Expenses

An analysis of Providence House is accrued expenses at September 30, 1998 and 1997 is as follows:

	<u>1998</u>	<u>1997</u>
Payroll taxes	\$ 5,387	\$ 7,150
Garnishments	-	897
Retirement	31,357	18,059
	<u>\$ 36,744</u>	<u>\$ 26,106</u>

(11) Leases

Providence House leases certain facilities under operating leases in conjunction with its supportive housing program. The rental costs on these leases for the years ended September 30, 1998 and 1997 were \$49,197 and \$13,820, respectively. As of September 30, 1998, there were no obligations under these lease agreements in excess of one year.

Providence House
Shreveport, Louisiana
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 1998

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Project Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development Direct Program:			
Supportive Housing Program	14.235	LA48B95-0818C	\$ 97,221
Supportive Housing Program	14.235	LA48B96-1302	140,362
Passed through Shreveport SRQ, Inc.:			
Supplemental Assistance for Facilities to Assist the Homeless (SAFAH)	14.235	N/A	53,848
Passed through the City of Shreveport:			
Emergency Shelter Grants Program			
Round XVIII	14.231	N/A	8,229
Round XIX	14.231	N/A	30,940
Round XX	14.231	N/A	32,161
Round XXI	14.231	N/A	11,770
Round XXII	14.231	N/A	16,870
Community Development Block Grant	14.218	N/A	26,865
<u>U.S. Federal Emergency Management Agency</u>			
Emergency Food and Shelter	83.523	N/A	16,193
<u>U.S. Department of Agriculture</u>			
Passed through the State of Louisiana, Department Of Education Special Milk Program	10.556	N/A	1,625
Total Federal Expenditures			<u>\$ 436,084</u>

NOTE: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

COOK & MOREHART

Certified Public Accountants

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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
Providence House
Shreveport, Louisiana

We have audited the financial statements of Providence House as of and for the year ended September 30, 1998, and have issued our report thereon dated March 4, 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 Providence House's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Providence House's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Board of Directors and the various funding sources of the organization. This restriction is not intended to limit the distribution of this report.



Cook & Morehart
Certified Public Accountants
March 4, 1999

COOK & MOREHART

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Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance In Accordance With OMB Circular A-133

To the Board of Directors
Providence House
Shreveport, Louisiana

Compliance

We have audited the compliance of Providence House 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 September 30, 1998. Providence House's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Providence House's management. Our responsibility is to express an opinion on Providence House's compliance based on our audit.

We conducted our audit 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 Providence House'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 Providence House's compliance with those requirements.

In our opinion, Providence House complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 1998.

Internal Control Over Compliance

The management of Providence House 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 Providence House'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.

This report is intended for the information of management, the Board of Directors and federal awarding agencies and pass-through entities. However, this restriction is not intended to limit the distribution of this report.



Cook & Morehart
Certified Public Accountants
March 4, 1999

Providence House
Summary Schedule of Prior Audit Findings
September 30, 1998

There were no findings or questioned costs for the prior audit period ending September 30, 1997.

Schedule of Findings and Questioned Costs
September 30, 1998

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Providence House.
2. No reportable conditions are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Providence House were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award program is reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for Providence House expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for Providence House reported in Part C. of this Schedule.
7. The program tested as a major program included: 1.) Supportive Housing Program, CFDA #14.235.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Providence House was not determined to be a low-risk auditee.

B. Findings -- Financial Statements Audit: None

C. Findings and Questioned Costs -- Major Federal Award Programs Audit: None

Providence House
Summary Schedule of Audit Findings for the Louisiana Legislative Auditor
September 30, 1998

Summary Schedule of Prior Audit Findings

There were no findings or management letter comments for the prior year ended September 30, 1997.

Corrective Action Plan for Current Year Audit Findings

There are no findings or management letter comments for the current year ended September 30, 1998.