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GRACE HOUSE OF NEW ORLEANS, INC.
FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT
JUNE 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 10-20-04

Justin J. Scanlan, CPA
CERTIFIED PUBLIC ACCOUNTANT

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GRACE HOUSE OF NEW ORLEANS, INC.

FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

JUNE 30, 1964

GRACE HOUSE OF NEW ORLEANS, INC.

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Justin J. Scanlan, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT
276 ST. ROCH ASBL NEW ORLEANS, LOUISIANA 70002
TELEPHONE: (504) 382-8888

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Green House of New Orleans, Inc.

I have audited the accompanying statement of financial position of Green House of New Orleans, Inc. (a non-profit corporation) as of June 30, 2004, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit. The prior year summarized comparative information has been derived from the Corporation's 2003 financial statements and, in my report dated August 6, 2003, I expressed an unqualified opinion on these financial statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that I 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Green House of New Orleans, Inc. as of June 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated August 5, 2004, on my consideration of Green House of New Orleans, Inc.'s internal control over financial reporting and my tests of its compliance with laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was made for the purpose of forming an opinion on the basic financial statements of Green House of New Orleans, Inc. taken as a whole. The supplemental schedules listed in the table of contents are prepared for the purpose of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is required by the U. S. Office of Management and Budget Circular A-133, "Audit of State, 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 my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Justin J. Scanlan, C.P.A.

New Orleans, Louisiana
August 5, 2004

GRACE HOUSE OF NEW ORLEANS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2004

	ASSETS	TOTAL MEMORIAL/WHITEN ONLY <u>JUNE 30, 2002</u>
Cash	\$ 43,455	\$ 11,734
Grants receivable (Notes A4 and B)	56,140	34,481
Unconditional promises to give (Note C)	61,699	61,287
Property, building, and equipment at cost (Notes A1, D and E)	<u>821,996</u>	<u>820,942</u>
Total assets	<u>\$ 983,290</u>	<u>\$ 944,444</u>
LIABILITIES AND NET ASSETS		
Notes payable - banks (Note E)	\$ 258,104	\$ 233,996
Accounts payable and accrued liabilities	<u>2,500</u>	<u>30,682</u>
Total liabilities	<u>260,604</u>	<u>264,678</u>
Net assets		
Unrestricted	662,780	621,626
Temporarily restricted	<u>61,609</u>	<u>61,287</u>
Total net assets	<u>724,389</u>	<u>682,913</u>
Total liabilities and net assets	<u>\$ 985,000</u>	<u>\$ 947,591</u>

The accompanying notes are an integral part of this financial statement.

GRACE HOUSE OF NEW ORLEANS, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2004

	Unrestricted	Temporarily Restricted	TOTAL MEMORANDUM ONLY	
			For the year ended June 30, 2004	For the year ended June 30, 2003
REVENUE				
United Way allocation	\$ -	\$ 41,600	\$ 41,600	\$ 60,207
United Way disbursements	3,750	-	3,750	(5,200)
Contributions	88,381	-	88,381	125,719
Government grants (State F)	-	804,710	804,710	884,361
Fund raising, net of direct expenses of \$20,048	10,658	-	10,658	17,680
Program service fees	14,465	-	14,465	17,400
Other revenue	12,111	-	12,111	80,168
Net assets released from restrictions	<u>540,000</u>	<u>(540,000)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>789,375</u>	<u>266,310</u>	<u>1,055,685</u>	<u>1,665,635</u>
EXPENSES				
Program services				
Substance abuse	499,889	-	499,889	574,859
Re-entry	87,219	-	87,219	162,794
Supportive services				
Management and general	100,965	-	100,965	104,295
Facilities	16,980	-	16,980	20,880
Total expenses	<u>705,063</u>	<u>-</u>	<u>705,063</u>	<u>863,828</u>
Increase (decrease) in net assets	11,117	(13,690)	6,527	(163,893)
Net assets, beginning of year	<u>561,658</u>	<u>86,287</u>	<u>647,945</u>	<u>788,228</u>
Net assets, end of year	<u>\$ 572,775</u>	<u>\$ 72,597</u>	<u>\$ 645,372</u>	<u>\$ 624,335</u>

The accompanying notes are an integral part of this financial statement.

GRACE HOUSE OF NEW ORLEANS, INC.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2004

Increase (decrease) in cash and cash equivalents

Cash flows from operating activities:		
Increase in net assets		\$ 6,539
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	\$ 28,948	
Changes in assets and liabilities:		
Decrease in grants receivable	= 21,864	
Decrease in unconditional promises to give	4,598	
Decrease in accounts payable and accrued liabilities	= 3,670	4,887
Net cash provided by operating activities		<u>30,530</u>
Cash flows from financing activities:		
Proceeds from notes - banks		38,481
Principal payments on notes payable - banks		<u>= 30,250</u>
Net cash provided by financing activities		<u>8,231</u>
Net increase in cash and cash equivalents		38,761
Cash and cash equivalents, beginning of year		<u>31,738</u>
Cash and cash equivalents, end of year		<u>\$ 70,499</u>

The accompanying notes are an integral part of this financial statement.

GLACE HOUSE OF NEW ORLEANS, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2004

	Program Services		Management And General		Auxiliary Services		Total	
	Substance Abuse	Re-Entry	Management And General	Food Building	For the year Ended June 30, 2004	For the year Ended June 30, 2003	For the year Ended June 30, 2004	For the year Ended June 30, 2003
Competition expenses	\$ 280,118	\$ 71,000	\$ 48,997	\$ 13,000	\$ 470,080	\$ 471,812	\$ 471,812	
Occupancy	25,086	18,257	4,103	1,000	48,446	41,264	41,264	
Talent	1,000	500	440	-	1,940	5,000	5,000	
Specials assistance	82,118	908	-	-	83,026	2,171	2,171	
Food prepared and served	-	-	-	34	34	1,581	1,581	
Other direct program expenses	28,527	3,516	48,546	-	80,589	21,782	21,782	
Total expenses before depreciation	476,849	87,213	102,086	16,990	683,184	683,184	683,184	
Depreciation	21,024	-	7,354	-	28,378	-	28,378	
Total expenses	\$ 497,873	\$ 87,213	\$ 109,440	\$ 16,990	\$ 713,506	\$ 713,503	\$ 713,503	

The accompanying notes are an integral part of this financial statement.

GRACE HOUSE OF NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Nature of Activities

Grace House of New Orleans, Inc. is a non-profit corporation providing long-term residential treatment for alcoholic and chemically dependent women.

2. Presentation of Financial Statements

The corporation's financial statements are presented in accordance with requirements established by the Financial Accounting Standards Board (FASB) as set forth in the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations". Accordingly, the net assets of the corporation present the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. There are no permanently restricted net assets.

Net assets of the restricted class are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

3. Revenue Recognition

For financial reporting, the corporation recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor 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 activity as "net assets released from restrictions".

Grant revenue is earned in accordance with approved contracts.

4. Receivables

The corporation considers accounts receivable to be fully collectible since the balance consists principally of payments due under governmental contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

GRACE HOUSE OF NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 1994

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred, major renewals and betterments are capitalized when the acquisition cost exceeds \$1,000. When assets of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations. The depreciation expense for the year ended June 30, 1994 totaled \$28,748.

4. Cash Equivalents

For purposes of the statement of cash flows, the corporation considers all demand deposits and investments with original maturities of three months or less to be cash equivalents.

7. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

8. Fair Values of Financial Instruments

Generally accepted accounting principles require disclosure of fair value information about financial instruments for which it is practicable to estimate fair value, whether or not recognized in the statement of financial position. Cash and cash equivalents carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

9. Functional Allocation of Expenses

The expenses of providing the program and other activities have been summarized on a functional basis in the statement of functional expenses. Details of those expenses have been allocated among the program and supporting services identified based on estimates by management of the costs involved.

10. Total Columns - Services

Total columns are captioned "Miscellaneous Only" to indicate that they are presented only to assist with financial analysis. Data in these columns do not present financial position, or changes in net assets in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

GRACE HOUSE OF NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE B - GRANTS RECEIVABLE

Grants receivable at June 30, 2004 consist of the following:

Unity for the Homeless, Inc.	\$ 11,000
State of Louisiana - Department of Health and Hospitals - Office of Addictive Disorders	20,979
City of New Orleans	20,177
FEMA - Emergency Food and Shelter Program	3,110
	<u>\$ 55,266</u>

NOTE C - UNCONDITIONAL PROMISE TO GIVE

The unconditional promise to give represents the United Way allocation for the program year July 1, 2004 through June 30, 2005. The United Way allocation totaled \$41,679.

NOTE D - PROPERTY, BUILDING, AND EQUIPMENT

Property, building, and equipment at June 30, 2004 consists of the following:

Building	\$ 809,442
Building improvements	109,750
Equipment	48,610
Furniture and Fixtures	6,379
Transportation equipment	19,859
	<u>994,040</u>
Less accumulated depreciation	<u>(571,122)</u>
	422,918
Land	179,500
	<u>\$ 602,418</u>

NOTE E - NOTES PAYABLE - BANKS

Bank line of credit, interest at rate of 4.25%, maturity August, 2004	\$ 48,100
Bank line of credit, interest at rate of 5.25%, maturity April, 2005	219,000
	<u>\$ 267,100</u>

The bank line of credit totaling \$219,000 is collateralized by the land, building, and building improvements.

The interest expense for the year ended June 30, 2004 totaled \$12,900.

GRACE HOUSE OF NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE F - SUMMARY OF FUNDING

Grace House of New Orleans, Inc.'s funding for grants and contracts consist of the following:

Governmental	Grants	Period	Grant Award	Revenue Amortized
City of New Orleans				
	Emergency Shelter Grant-ESG08	1/1/02-12/31/03	\$ 25,000	\$ 30,932
	Emergency Shelter Grant-ESG09	01/01/04-12/31/04	25,000	11,277
	Health Care for the Homeless	11/05/02-08/31/03	7,673	3,837
United Way				
	Emergency Food Shelter Program	1/01/02-12/31/03	3,240	3,000
Unity for the Homeless, Inc.				
	Supportive Housing '00	4/1/00-3/31/04	30,815	7,996
	Supportive Housing '00	4/1/04-3/31/05	30,200	3,633
	Supportive Housing '02	4/1/02-3/31/04	36,146	17,130
	Supportive Housing '00	4/1/04-3/31/05	36,146	9,036
State of Louisiana				
	Long-term residential treatment program	7/1/00-6/30/04	148,230	148,098
	Long-term residential treatment program	7/1/00-6/30/04	34,800	34,800
	TAMP - Women's Program	01/02-07/31/04	90,000	11,238
	TAMP - Women's Program	01/02-07/30/04	130,000	99,000
U. S. Department of Housing and Urban Development				
	Supportive Housing Program	01/02-03/30/03	561,771	<u>79,096</u>
				<u>\$ 1,854,230</u>

NOTE G - INCOME TAXES

The corporation is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE H - CASH FLOW INFORMATION

For the year ended June 30, 2004, the corporation paid interest in the amount of \$11,700.

GRACE HOUSE OF NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

NOTE I - BOARD OF DIRECTORS' COMPENSATION

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

NOTE J - ECONOMIC DEPENDENCY

The Corporation receives a majority of its revenue from funds provided through grants administered by the State of Louisiana and the City of New Orleans. The grant amounts are appropriated each year by the federal government. If significant budget cuts are effected at the federal level, the amount of the funds the corporation receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the corporation will receive in the next fiscal year.

The Corporation is supported primarily through government grants. Approximately 78% of the corporation's support for the year ended June 30, 2004 came from these grants.

SUPPLEMENTAL INFORMATION

GULF HOUSE OF NEW ORLEANS, INC.
STATEMENT OF ACTIVITIES BY PROGRAM

For the year ended June 30, 2004

	Agency 2004	Supporting Budget	Revenues/Assets	Expenses
REVENUES				
Board generated self support	\$ 124,034	\$ 71,642	\$ 28,486	\$ 28,486
Board generated self support	41,288	-	8,002	4,156
Government grants/revenue	93,179	96,171	461,568	461,171
Other revenue	4,958	-	4,958	-
Total self generated revenue	263,459	167,813	493,014	73,813
United Way allocations	3,759	-	3,759	-
CPIC Donations	1,800	-	1,800	-
Total revenue	277,018	167,813	497,311	73,813
United Way allocations	48,287	-	11,288	11,287
Grant total revenue	325,305	167,813	508,599	85,100
EXPENSES				
Competition expense	418,980	44,023	262,118	71,897
Occasionaly expenses	51,261	5,126	15,866	6,516
Toward and transportation expense	2,997	441	1,824	202
Special activities	82,174	-	82,174	600
Board generated self support expense	54	54	-	-
Other than program/support expense	118,183	49,126	79,322	3,121
Total expense	673,651	108,870	471,024	85,116
Increase in net assets	\$ 46,652	\$ 6,043	\$ 30,829	\$ 1,682
Depreciation	\$ 28,048	\$ 3,114	\$ 11,258	\$ 1,111

Note:
Presentation of Financial Statements
The financial statement is presented in the Functional Budget Spreadsheet format required by United Way for the year ended June 30, 2004. The United Way allocation expense funds awarded for the period July 1, 2001 through June 30, 2004.

GRACE HOUSE OF NEW ORLEANS, INC.

STATEMENT OF ACTIVITIES - EMERGENCY SHELTER GRANT PROGRAM

For the year ended June 30, 2004

	<u>City of New Orleans</u>		
	Grant ESO-18 July 1, 2003 through December 31, 2003	Grant ESO-19 January 1, 2004 through June 30, 2004	Total
Revenues			
Grant appropriations	\$ 32,832	\$ 21,377	\$ 54,209
Expenses			
Repairs and maintenance	2,000	3,000	5,000
Utilities	16,987	9,340	26,327
Household supplies	4,965	3,799	8,764
Total expenses	<u>23,952</u>	<u>26,139</u>	<u>50,091</u>
Increase in net assets	<u>\$ 8,880</u>	<u>\$ 5,238</u>	<u>\$ 14,118</u>

GRACE HOUSE OF NEW ORLEANS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2004

	Federal CFDA Number	Total Federal Expenditures
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Supervisory Housing Program	14.235	\$ 79,080
Funds passed through Unity for the Homeless, Inc. Supervisory Housing Program	14.235	64,734
Funds passed through the City of New Orleans: Emergency Shelter Grant	14.231	22,120
Health Care for the Homeless	14.231	1,827
Total U.S. Department of Housing and Urban Development		<u>167,761</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Funds passed through the State of Louisiana Department of Health and Hospitals - Office of Alcohol and Drug Abuse: Long-Term Residential Treatment Program TASP - Women's Program	89.950 89.950	181,890 <u>181,890</u>
Total U.S. Department of Health and Human Services		<u>181,890</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY:		
Funds passed through the United Way of Greater New Orleans: Emergency Food and Shelter Program	84.525	1,100
Total Federal Emergency Management Agency		<u>1,100</u>
TOTAL FEDERAL AWARDS		\$ 350,751

Note to Schedule of Expenditures of Federal Awards

1. The schedule of expenditures of federal awards was prepared on the accrual basis.

Justin J. Scanlan, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT
478 ST. MOON AVE. NEW ORLEANS, LOUISIANA 70112
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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

Board of Directors
Crane House of New Orleans, Inc.

I have audited the financial statements of Crane House of New Orleans, Inc. (non-profit corporation) as of and for the year ended June 30, 2008, and have issued my report thereon dated August 5, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America 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 Crane House of New Orleans, Inc.'s financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my audit, I considered Crane House of New Orleans, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My 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. I found no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Louisiana Legislative Auditor, others within the organization 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. Under Louisiana Revised Statute 24:511, this report is distributed by the Legislative Auditor as a public document.

Justin J. Scanlan, C.P.A.

New Orleans, Louisiana
August 5, 2008

Justin J. Scanlan, CPA

CERTIFIED PUBLIC ACCOUNTANT
4704 ST. MICHAEL AVE. NEW ORLEANS, LOUISIANA 70114
TELEPHONE: (504) 885-6000

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-115

Board of Directors
Grace House of New Orleans, Inc.

Consultancy

I have audited the compliance of Grace House of New Orleans, Inc. with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-115 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 2004. Grace House of New Orleans, Inc.'s major federal programs are 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 Grace House of New Orleans, Inc.'s management. My responsibility is to express an opinion on Grace House of New Orleans, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-115, "Standards of the States, Local Governments, Non-Profit Organizations." These standards and OMB Circular A-115 require that I 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 Grace House of New Orleans, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Grace House of New Orleans, Inc.'s compliance with those requirements.

In my opinion, Grace House of New Orleans, Inc. complied, in all material aspects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Grace House of New Orleans, Inc. 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 my audit, I considered Grace House of New Orleans, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-115.

My 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 non-compliance 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. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Louisiana Legislative Auditor, others within the organization and federal awarding agencies and pass-through recipients and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Justin J. LeBlanc, CPA

New Orleans, Louisiana

August 3, 2004

GRACE HOUSE OF NEW ORLEANS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2004

A. SUMMARY OF THE AUDITOR'S RESULTS

1. An unqualified opinion was issued on the financial statements of the Grace House of New Orleans, Inc.
2. The statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses is not applicable.
3. No instances of noncompliance that were material to the financial statements of Grace House of New Orleans, Inc. were disclosed during the audit.
4. The statement that reportable conditions in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses is not applicable.
5. The auditor's report on compliance for the major program for Grace House of New Orleans, Inc. expresses an unqualified opinion.
6. The audit disclosed no findings which are required to be reported under Section 501(c)(2) of Chapter A-113.
7. Major program for the year ended June 30, was:

U. S. Department of Health and Human Services
Long-Term Residential Treatment Program (CFDA #01.050)
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000. Since there was no type A programs, a Type B program was selected to satisfy the 10% testing rule.
9. The auditor qualified as a low-risk auditor.

B. SCHEDULE OF FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There were no findings related to the financial statements for the year ended June 30, 2004.

C. SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

There were no items identified in the course of any testing during the current year required to be reported.

D. STATUS OF PRIOR YEAR AUDIT FINDINGS

There were no prior year audit findings.