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Financial Report
Crossroads Louisiana, Inc., and Subsidiary
June 30, 2004

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Release Date 2-2-05

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Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Crossroads Louisiana, Inc., and Subsidiary,
New Orleans, Louisiana.

We have audited the accompanying consolidated statement of financial position of Crossroads Louisiana, Inc., and Subsidiary (a nonprofit organization) as of June 30, 2004, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These 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. The financial statements of Crossroads Louisiana, Inc., and Subsidiary as of June 30, 2003 were audited by other auditors whose report dated December 17, 2003, expressed an unqualified opinion on those statements.

We conducted our 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. 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 Crossroads Louisiana, Inc., and Subsidiary 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, we have also issued our report dated December 16, 2004, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That 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 our audit.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
December 16, 2004.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Crossroads Louisiana, Inc., and Subsidiary

June 30, 2004 and 2003

ASSETS

	<u>2004</u>	<u>2003</u>
Current		
Cash and cash equivalents	\$ 279,777	\$ 493,151
Accounts receivable	198,097	117,579
Advances to officers	99,971	35,686
Advances to affiliates:		
The Saint Charles, Inc.	102,933	274,447
Job Link, Inc.	102,001	87,542
Other receivables	27,655	8,745
Prepaid expenses	27,901	26,320
	<u>838,335</u>	<u>1,043,470</u>
Investments	<u>653,628</u>	<u>494,822</u>
Property and Equipment		
Equipment, furniture and fixtures	282,326	265,406
Leasehold improvements	321,415	313,410
Vehicles	90,060	90,060
	<u>693,801</u>	<u>668,876</u>
Less accumulated depreciation	<u>(481,527)</u>	<u>(438,573)</u>
Net property and equipment	<u>212,274</u>	<u>230,303</u>
Other Assets		
Note receivable - The Saint Charles, Inc.	191,045	-
Deposits	1,417	1,417
	<u>192,462</u>	<u>1,417</u>
Total assets	<u>\$ 1,896,699</u>	<u>\$ 1,770,012</u>

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS

	<u>2004</u>	<u>2003</u>
Current Liabilities		
Notes payable - lines of credit	\$ 54,000	\$ 30,578
Accounts payable	57,436	38,614
Accrued expenses:		
Salaries and payroll taxes	85,874	59,117
Retirement plan contribution	26,880	35,826
Other	25,441	23,498
Insurance	10,052	9,765
Advances from officers	-	42,698
	<u>259,683</u>	<u>240,096</u>
Total current liabilities		
Long-Term Liabilities		
Deferred compensation	637,537	565,663
Deferred severance pay	67,769	67,769
	<u>705,306</u>	<u>633,432</u>
Total long-term liabilities		
Net Assets		
Unrestricted	<u>931,710</u>	<u>896,484</u>
Total liabilities and net assets	<u>\$ 1,896,699</u>	<u>\$ 1,770,012</u>

CONSOLIDATED STATEMENTS OF ACTIVITIES**Crossroads Louisiana, Inc., and Subsidiary**

For the years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Support and Revenues		
Government fees for services	\$ 2,580,615	\$ 2,457,763
Tenant rents	146,215	132,485
Investment income	19,006	9,138
Miscellaneous income	<u>4,687</u>	<u>4,652</u>
Total support and revenues - unrestricted	<u>2,750,523</u>	<u>2,604,038</u>
Expenses		
Program services:		
Oliver Street Program	113,419	123,468
Arts Street Program	102,336	99,045
State Street Program	373,642	338,920
Toledano Street Program	229,736	223,795
Timberwood Drive Program	118,727	114,758
Nunez Street Program	340,079	301,782
Hancock Street Program	281,269	274,225
RHS Program	315,758	243,792
St. Charles Place Program	<u>327,200</u>	<u>277,451</u>
Total program services	2,202,166	1,997,236
Supporting services:		
Management and general	<u>513,131</u>	<u>505,523</u>
Total expenses	<u>2,715,297</u>	<u>2,502,759</u>
Increase In Unrestricted Net Assets	35,226	101,279
Net Assets		
Beginning of year	<u>896,484</u>	<u>795,205</u>
End of year	<u>\$ 931,710</u>	<u>\$ 896,484</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Crossroads Louisiana, Inc., and Subsidiary

For the year ended June 30, 2004

	Program Services				
	Oliver Street Program	Arts Street Program	State Street Program	Toledano Street Program	Timberwood Drive Program
Salaries	\$ 63,373	\$ 65,049	\$ 165,157	\$ 88,806	\$ 70,618
Employee benefits:					
Insurance	2,895	2,993	9,942	4,198	2,953
Retirement plan	2,095	1,506	10,725	3,120	3,805
Payroll taxes	5,333	5,460	13,804	7,485	5,930
Deferred compensation	-	-	-	-	-
Bed fees	-	-	23,914	24,002	-
Depreciation	4,116	996	5,235	4,514	3,419
Food	4,742	4,153	14,678	7,156	3,598
Occupancy:					
Repairs, building	3,213	-	1,943	5,033	1,726
Repairs, furniture	-	1,151	420	662	358
Maintenance	-	1,024	-	-	-
Contract services	-	-	1,947	1,319	1,478
Rent	14,929	9,000	24,000	14,750	9,000
Utilities	5,416	3,839	6,456	7,041	3,123
Insurance	-	-	-	-	-
Local transportation	-	1,722	11,232	10,529	412
Miscellaneous	1,816	1,248	3,602	1,401	2,467
Professional services	1,451	-	4,947	3,231	505
Supplies	3,219	2,753	9,546	6,103	8,403
Telephone	821	1,442	1,275	1,629	932
Vocational program	-	-	64,819	38,757	-
Interest	-	-	-	-	-
Total expenses	\$ 113,419	\$ 102,336	\$ 373,642	\$ 229,736	\$ 118,727

See notes to consolidated financial statements.

Program Services					Support Services	
Nunez Street Program	Hancock Street Program	RHS Program	St. Charles Place Program	Totals	Management & General	Totals
\$ 152,800	\$ 116,935	\$ 262,570	\$ 240,861	\$ 1,226,169	\$ 215,751	\$ 1,441,920
8,694	6,022	16,273	15,798	69,768	17,428	87,196
10,187	4,290	6,723	2,507	44,958	16,049	61,007
12,827	9,856	21,952	20,179	102,826	16,421	119,247
-	-	-	-	-	71,874	71,874
23,226	23,991	-	-	95,133	-	95,133
3,457	4,327	261	3,681	30,006	12,948	42,954
9,445	6,324	40	10,936	61,072	-	61,072
3,532	3,520	-	4,813	23,780	4,833	28,613
330	-	-	1,517	4,438	1,313	5,751
-	-	-	-	1,024	321	1,345
1,589	1,893	-	5,381	13,607	1,190	14,797
15,600	15,600	-	-	102,879	14,391	117,270
5,978	5,580	-	-	37,433	1,592	39,025
-	-	-	-	-	26,296	26,296
16,223	10,353	2,744	8,588	61,803	1,223	63,026
5,215	7,482	2,873	1,736	27,840	33,123	60,963
8,717	4,210	105	1,178	24,344	59,552	83,896
12,385	10,992	1,172	6,296	60,869	9,901	70,770
1,937	1,344	1,045	3,700	14,125	6,679	20,804
47,937	48,550	-	-	200,063	-	200,063
-	-	-	29	29	2,246	2,275
<u>\$ 340,079</u>	<u>\$ 281,269</u>	<u>\$ 315,758</u>	<u>\$ 327,200</u>	<u>\$ 2,202,166</u>	<u>\$ 513,131</u>	<u>\$ 2,715,297</u>

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Crossroads Louisiana, Inc., and Subsidiary

For the year ended June 30, 2003

	Program Services				
	Oliver Street Program	Arts Street Program	State Street Program	Toledano Street Program	Timberwood Drive Program
Salaries	\$ 66,305	\$ 62,747	\$ 157,157	\$ 82,914	\$ 72,425
Employee benefits:					
Insurance	2,804	2,693	9,008	3,679	3,006
Pensions	3,315	3,137	7,708	3,995	3,621
Payroll taxes	5,383	5,095	12,446	6,481	5,879
Deferred compensation	-	-	-	-	-
Bed fees	-	-	23,937	23,937	-
Depreciation	4,447	708	5,520	6,047	3,390
Food	3,372	3,096	6,981	4,550	3,033
Occupancy:					
Repairs, building	5,934	31	2,270	2,640	2,307
Repairs, furniture	317	459	494	1,265	133
Maintenance	-	857	-	-	-
Contract services	-	-	1,498	1,519	1,398
Rent	14,929	9,000	13,400	13,500	9,000
Utilities	5,185	3,283	6,125	5,906	3,066
Insurance	-	-	-	-	-
Local transportation	-	1,662	13,553	11,406	381
Miscellaneous	3,020	1,322	2,726	4,956	3,012
Professional services	1,543	-	3,812	3,915	-
Supplies	6,139	3,647	7,756	7,245	3,107
Telephone	750	1,308	1,110	1,365	981
Vocational program	-	-	63,394	38,456	-
Interest	25	-	25	19	19
Total expenses	\$ 123,468	\$ 99,045	\$ 338,920	\$ 223,795	\$ 114,758

See notes to consolidated financial statements.

Program Services				Support Services		
Nunez Street Program	Hancock Street Program	RHS Program	St. Charles Place Program	Totals	Management & General	Totals
\$ 141,110	\$ 114,430	\$ 196,339	\$ 172,835	\$ 1,066,262	\$ 211,589	\$ 1,277,851
8,027	5,565	10,710	9,095	54,587	18,282	72,869
6,905	5,571	9,804	8,611	52,667	10,564	63,231
11,133	9,042	15,914	14,010	85,383	16,407	101,790
-	-	-	-	-	76,543	76,543
22,483	23,937	-	-	94,294	-	94,294
5,393	4,332	261	767	30,865	15,279	46,144
6,153	5,444	571	15,975	49,175	-	49,175
2,309	2,896	80	14,429	32,896	3,627	36,523
339	874	371	-	4,252	1,975	6,227
-	-	-	447	1,304	3,991	5,295
1,569	1,450	-	3,202	10,636	3,227	13,863
15,600	15,600	-	1,732	92,761	10,848	103,609
4,951	5,054	-	2,797	36,367	1,417	37,784
-	-	-	-	-	23,671	23,671
11,617	8,562	2,167	10,187	59,535	(5,499)	54,036
5,173	7,418	1,740	4,581	33,948	25,612	59,560
4,772	4,174	940	1,442	20,598	72,520	93,118
7,157	9,808	1,620	12,649	59,128	5,078	64,206
1,581	1,462	3,275	4,692	16,524	7,412	23,936
45,484	48,581	-	-	195,915	-	195,915
26	25	-	-	139	2,980	3,119
<u>\$ 301,782</u>	<u>\$ 274,225</u>	<u>\$ 243,792</u>	<u>\$ 277,451</u>	<u>\$ 1,997,236</u>	<u>\$ 505,523</u>	<u>\$ 2,502,759</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS**Crossroads Louisiana, Inc., and Subsidiary**

For the years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash Flows From Operating Activities		
Increase in unrestricted net assets	\$ 35,226	\$ 101,279
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Deferred compensation and severance pay plans	71,874	76,543
Depreciation and amortization	42,954	46,144
Gain on sale of property and equipment	-	(1,878)
Unrealized gain on investments	(40,031)	(1,251)
Realized loss on sales of investments, net	26,040	-
(Increase) decrease in operating assets:		
Accounts receivable	(80,518)	70,633
Other receivables	(18,910)	(2,942)
Prepaid expenses	(1,581)	(5,812)
Increase (decrease) in operating liabilities:		
Accounts payable	18,822	2,471
Accrued expenses	20,041	37,755
	<u>73,917</u>	<u>322,942</u>
Net cash provided by operating activities		
Cash Flows Used In Investing Activities		
Purchases of property and equipment	(24,925)	(36,387)
Proceeds from sales of equipment	-	8,000
Advances to officers, net (advances)	(64,285)	83,054
Advances to affiliates, net (advances) repayments	(33,990)	(187,742)
Purchases of investments	(1,118,440)	(14,207)
Proceeds from sale of investments	973,625	-
	<u>(268,015)</u>	<u>(147,282)</u>
Net cash used in investing activities		
Cash Flows From Financing Activities		
Advances from officers, net advances (repayments)	(42,698)	42,698
Net borrowings (repayments) on lines of credit	23,422	(10,504)
	<u>(19,276)</u>	<u>32,194</u>
Net cash provided by (used in) financing activities		
Net Increase (Decrease) In Cash	(213,374)	207,854
Cash		
Beginning of year	<u>493,151</u>	<u>285,297</u>
End of year	<u>\$ 279,777</u>	<u>\$ 493,151</u>

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Crossroads Louisiana, Inc., and Subsidiary

June 30, 2004 and 2003

Note 1 - NATURE OF ACTIVITIES

Crossroads Louisiana, Inc., and Subsidiary (the Organization) is a nonprofit corporation which provides residential treatment services for the psychologically handicapped in the New Orleans area and is substantially funded by the State of Louisiana and Federal Medicaid payments.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization and Income Taxes

The Organization is a nonprofit corporation organized under the laws of the State of Louisiana in 1981. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is also exempt from Louisiana income tax under the authority of R.S.47:121(5).

b. Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting generally accepted in the United States of America.

c. Financial Statement Presentation

Financial statement presentation follows the recommendations of the Statement of Financial Accounting Standards, (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, the Organization classifies its net assets, revenues, and expenses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Financial Statement Presentation (Continued)

Unrestricted Net Assets - Net grants and other revenues and expenditures of funds for the general operation of its facilities.

Temporarily Restricted Net Assets - Grants and other revenues specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period. There were no temporarily restricted net assets at June 30, 2004 or 2003.

Permanently Restricted Net Assets - There were no permanently restricted net assets at June 30, 2004 or 2003.

d. Investments

Investments are carried at fair market value based on quoted market prices for the investments.

e. Consolidated Financial Statements

Following the guidance of Statement of Position 94-3, the financial statements include the accounts of the Organization and the accounts of Cher-Ami Home of Gretna, LA., Inc. The Organization obtained control of the Cher-Ami Home early in the 1996 fiscal year and has assumed control of its operations. All significant intercompany transactions and accounts are eliminated in consolidation. In the Statement of Functional Expense, the operations of Cher-Ami Homes are labeled Hancock Street Program.

f. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Allowance For Doubtful Accounts

The Organization provides services under contracts entered into with various state and local agencies. Accounts receivable includes amounts billed under these contracts and amounts due from patients for services provided. A major portion of the accounts receivable balance as of June 30, 2004 and 2003 is from the state of Louisiana Department of Health and Hospitals.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts and adjustments to amounts billed through a valuation allowance based on its assessment of the current status of individual receivables from contracts and Medicaid. At June 30, 2004 and 2003, approximately \$60,000 and \$64,000, respectively, has been applied against accounts receivable to reflect possible billing adjustments.

h. Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Donated property is recorded at its fair market value at the date of donation.

i. Allocated Expenses

The cost of providing the various programs and other activities are summarized in the statement of functional expenses. Expenses by function have been allocated among program and supporting services classifications based on State of Louisiana Rate Setting classifications. Shared expenses are allocated among programs based on portion of direct expenses by program to total expenses.

j. Cash and Cash Equivalents

Cash and cash equivalents consist primarily of operating funds maintained in checking and operating accounts. Any investments in money market accounts, certificate of deposit to other investments and maturities of three months or less would also be considered cash and cash equivalents, except for money market funds maintained in the Fidelity Investments Brokerage account which are reported as investments.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Note 3 - ADVANCES TO OFFICERS

The amount due from officers represents unsecured advances to officers. No interest payments are required.

Note 4 - INVESTMENT'S

Investments include amounts held in investment accounts at McDonald Financial Group and at Fidelity Investments, Inc. Details of investments are as follows:

<u>Investments By Type</u>	June 30, 2004	
	Cost	Market Value
Mutual Funds	\$ 69,346	\$ 68,968
Stocks	482,498	533,260
Money market funds	51,400	51,400
Total investments	\$603,244	\$653,628
<u>Investments By Type</u>	June 30, 2003	
	Cost	Market Value
Mutual Funds	\$ 55,323	\$ 45,452
Stocks	114,042	134,266
Money market funds	315,104	315,104
Total investments	\$484,469	\$494,822

Note 4 - INVESTMENT'S (Continued)

The market values and costs of investments held at June 30, 2004 and 2003 are as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Market Value Over Cost</u>
Balances at June 30, 2004	<u>\$603,244</u>	<u>\$653,628</u>	\$ 50,384
Balances at June 30, 2003	<u>\$484,469</u>	<u>\$494,822</u>	<u>10,353</u>
Unrealized gain for the year			<u>\$40,031</u>

Investment return for the year ended June 30, 2004 and 2003 are summarized as follows:

	<u>2004</u>	<u>2003</u>
Interest and dividend income	\$ 5,015	\$7,887
Unrealized gain	40,031	1,251
Realized loss, net	<u>(26,040)</u>	—
Net investment income	<u>\$ 19,006</u>	<u>\$9,138</u>

Note 5 - PROPERTY AND EQUIPMENT

At June 30, 2004 and 2003, the cost of property and equipment and accumulated depreciation were as follows:

	<u>2004</u>	<u>2003</u>	<u>Depreciation/ Amortization- Annual Rates</u>
Equipment, furniture, and fixtures	\$282,326	\$265,406	5-20%
Leasehold improvements	321,415	313,410	20%
Vehicles	<u>90,060</u>	<u>90,060</u>	20%
Totals	<u>\$693,801</u>	<u>\$668,876</u>	

Depreciation and amortization expense charged to income was \$42,954 for 2004 and \$46,144 for 2003.

Note 6 - NOTE RECEIVABLE

On December 15, 2003, the Organization issued a note receivable to The Saint Charles, Inc. an affiliate. The note receivable consists of a 5% note due in monthly installments of \$1,120, beginning on January 31, 2006, including interest to December 2036. Interest will accrue from the date of the note.

Principal maturities of the note receivable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2005	\$ -
2006	1,492
2007	3,007
2008	3,133
2009	3,322
Later years	<u>180,091</u>
Total	<u>\$191,045</u>

Interest income of \$4,394 was earned on this note for 2004.

Note 7 - NOTES PAYABLE - LINES OF CREDIT

The Organization is obligated to Hibernia National Bank under two lines of credit agreements with outstanding balances totaling \$54,000 as of June 30, 2004. Interest is payable monthly under the two lines at 6.5% and 5%, respectively.

Note 8 - LEASES

The Organization leases its administrative and residential facilities under the following operating leases:

The Olivier Street facility is leased from the wife of the Executive Director on a month to month basis for \$1,866 per month. Total rent expense was \$22,394 for each of the years ended June 30, 2004 and 2003. One-third of the facility is used for administration and the other two-thirds as a residential facility.

Note 8 - LEASES (Continued)

The Nunez Street facility is leased from the wife of the Executive Director for \$1,300 per month. The lease began July 1, 2002 and ends on June 30, 2008. The lease has an option for renewal for 5 years at a monthly rental of \$1,495. Total rent expense was \$15,600 for each year ended June 30, 2004 and 2003.

The Hancock Street residential facility is leased from the wife of the Executive Director on a monthly basis for \$1,300 per month. The lease term began on July 1, 2002 and ends on June 30, 2008. The lease has an option for renewal for 5 years at a monthly rental of \$1,495. Total rent expense was \$15,600 for each year ended June 30, 2004 and 2003.

The State Street residential facility is leased from an officer of the Organization for \$2,000 per month. The lease term began on March 1, 2003, and ends on February 28, 2008. The lease has an option for renewal for five years at a monthly rental of \$2,100. Total rent expense was \$24,000 and \$13,400 for the years ended June 30, 2004 and 2003, respectively.

The Toledano Street residential facility is leased for a five year term commencing September 1, 2003, and ending August 31, 2008. The monthly payment is \$1,300. Total rent expense was \$14,750 and \$13,500 for the years ending June 30, 2004 and 2003, respectively.

The Timberwood Drive facility is leased from the wife of the Executive Director for \$750 per month. The lease began on July 1, 2002 and ends June 30, 2008. The lease has a renewal option for 5 years at a monthly rental of \$863. Total rent expense was \$9,000 for each year ended June 30, 2004 and 2003.

The Arts Street residential facility is leased on a month-to-month basis for \$750 per month. Total rent expense was \$9,000 for each year ended June 30, 2004.

Rent expense related to these leases totaled \$110,344 and \$98,494 for the years ended June 30, 2004 and 2003, respectively.

Note 8 - LEASES (Continued)

The future minimum lease payments under the above described leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 79,800
2006	79,800
2007	79,800
2008	71,800
2009	<u>2,600</u>
Total	<u>\$313,800</u>

Note 9 - RETIREMENT PLAN

The Organization has a non-contributory defined contribution retirement plan which covers substantially all of its employees.

Contributions to the defined contribution retirement plan are determined at the discretion of the Organization's Board of Directors. Contributions were determined to be 5% of each employee's compensation for the years ended June 30, 2004 and 2003. The expense totaled \$61,007 and \$63,231 for the years 2004 and 2003.

Note 10 - OFFICERS COMPENSATION

Officer's compensation was as follows for the years ended June 30, 2004 and 2003.

	<u>2004</u>	<u>2003</u>
Executive Director	\$ 40,000	\$ 40,000
Assistance Director	<u>80,148</u>	<u>67,872</u>
Totals	<u>\$120,148</u>	<u>\$107,872</u>

Note 11 - RELATED PARTY TRANSACTIONS

The Organization uses Job Link, Inc. to provide development services for group home programs in accordance with State of Louisiana regulations. Job Link, Inc. is owned by members of the Organization's Board of Directors. The Organization incurred approximately \$200,000 and \$196,000 in 2004 and 2003, respectively, in fees related to these services. At June 30, 2004 and 2003, \$102,001 and \$87,542, respectively, was due from Job Link, Inc. and is reported as advances to affiliates.

The Organization has agreed to assist with the operation of The Saint Charles, Inc. (St. Charles Place), which is a brain and spinal injury center owned by the Executive Director of the Organization. The Saint Charles, Inc. has agreed to reimburse the Organization for all of the program costs related to the Center plus a portion of the Organization's management and general expenses. The Saint Charles, Inc. began operations in March 2002. For the years ended June 30, 2004 and 2003, the Organization billed The Saint Charles, Inc. \$327,200 and \$277,451, respectively for program costs and \$70,486 and \$68,866, respectively, for management and general expenses.

The Organization is owed a note receivable from The Saint Charles, Inc. as described in Note 6.

At June 30, 2004 and 2003, accounts receivable due from The Saint Charles, Inc. totaled \$102,933 and \$274,447 respectively related to current operating expenses.

The Organization also leases some property and equipment from related parties described in Note 8. Total rent expense for these leases totaled \$86,594 and \$75,994 for the years ended 2004 and 2003, respectively.

During September, 1995 the Organization took over control of the operations of the Cher-Arai Homes of Gretna, LA., Inc. (Cher-Ami). Cher-Ami's major assets consisted of its contract with the State of Louisiana and the related accounts receivable. At June 30, 2004, Cher-Ami had no debts outstanding. The intercompany receivable balance of \$161,196 and \$161,196 at June 30, 2004 and 2003, respectively, has been eliminated in consolidation.

Note 12 - SIGNIFICANT CONTRACTS AND GRANTS

For the years ended June 30, 2004 and 2003, approximately \$2,183,000 and \$2,111,000, respectively, of government fees for services was from the State of Louisiana Department of Health and Hospitals acting as a Medicaid fiscal intermediary. These programs are reimbursed on a per diem rate based on costs and budgets, received annually by the State of Louisiana. The State provides annual contracts to the Organization which grant the State the right to audit program accounts and activities. The State, acting as the Medicaid intermediary for Medicaid patients, reimburses services rendered to Medicaid program beneficiaries under an allowable cost reimbursement formula that is subject to audit and retroactive adjustments. Management believes that the Organization is in compliance with the provisions of these contracts and grants and that the findings of an audit, if any, would not have a material impact on the financial statements.

Note 13 - DEFERRED COMPENSATION AGREEMENT

The Organization has entered into a deferred compensation agreement with one of its officers effective July 1, 1993. The agreement provides that upon reaching age 65, the officer will receive monthly compensation commencing with retirement and continuing for the rest of his life. The monthly payment is calculated to be one-twelfth (1/12) of his deferred payment amount which will be equal to the average of his highest three consecutive calendar years compensation including bonuses. In the event of his death, on or after the participant's Normal Retirement Date, the participant's designated beneficiary shall be paid a death benefit equal to the present value of the future payments to which the participant would have been entitled. The liability related to this agreement is being accrued to age 65. The amount charged to expense was \$71,874 and \$71,874 for each year ended June 30, 2004 and 2003. The total liability under the agreement as of June 30, 2004 is approximately \$638,000.

The Organization's actuary calculated that five annual installments of \$71,874 payable at the end of each fiscal year from June 30, 2000 through June 30, 2004 was needed to provide for the plan obligation. The last installment was recorded as deferred compensation payable at June 30, 2004.

The Organization also has an employment agreement with one of its officers which requires the total in the Severance Pay account to be paid to her or her beneficiary. The Organization sets aside in a segregated corporate account the lesser of \$7,500 or 20% of the officer's regular salary into this Severance Pay account. The amount charged to expense was \$4,700 in 2003. This officer received a cash payment of \$9,500 in lieu of the transfer to the Severance Pay account and increase in the deferred severance pay liability for the year ended June 30, 2004. This disbursement was approved by the executive director.

Note 14 - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash accounts in various financial institutions where the accounts are insured by Federal Deposit Insurance Corporation up to \$100,000 per bank. At June 30, 2004, the Organization had approximately \$158,000 in excess of the insured limits.

Note 15 - CASH FLOW INFORMATION

Cash payments of interest during the years ended June 30, 2004 and 2003 was \$2,275 and \$3,119, respectively.

During the year ended June 30, 2004, \$191,045 was reclassified from advances to affiliates to notes receivable due to a legal agreement.

SUPPLEMENTARY INFORMATION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT
ON THE SUPPLEMENTARY INFORMATION

To the Board of Directors
Crossroads Louisiana, Inc., and Subsidiary,
New Orleans, Louisiana

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Crossroads Louisiana, Inc., and Subsidiary taken as a whole. The supplementary information is presented for purposes of additional analysis 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.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
December 16, 2004.

**CONSOLIDATED STATEMENT OF ACTIVITIES AND
FUNCTIONAL EXPENSES BY PROGRAM**

Crossroads Louisiana, Inc., and Subsidiary

For the year ended June 30, 2004

	Program Services				
	Oliver Street Program	Arts Street Program	State Street Program	Toledano Street Program	Timberwood Drive Program
Support and Revenues					
Government fees for services	\$ 111,955	\$ 98,778	\$ 427,737	\$ 286,968	\$ 146,294
Rents	15,859	13,071	36,093	28,026	-
Investment income	-	-	-	-	-
Other	-	15	-	-	54
Total support and revenues	127,814	111,864	463,830	314,994	146,348
Expenses					
Salaries	63,373	65,049	165,157	88,806	70,618
Employee benefits:					
Workers compensation	2,895	2,993	9,942	4,198	2,953
Pension	2,095	1,506	10,725	3,120	3,805
Payroll taxes	5,333	5,460	13,804	7,485	5,930
Deferred Compensation	-	-	-	-	-
Bed fees	-	-	23,914	24,002	-
Depreciation	4,116	996	5,235	4,514	3,419
Food	4,742	4,153	14,678	7,156	3,598
Occupancy:					
Repairs - Buildings	3,213	-	1,943	5,033	1,726
Repairs - Furniture	-	1,151	420	662	358
Maintenance	-	1,024	-	-	-
Contract services	-	-	1,947	1,319	1,478
Rent	14,929	9,000	24,000	14,750	9,000
Utilities	5,416	3,839	6,456	7,041	3,123
Insurance	-	-	-	-	-
Local transportation	-	1,722	11,232	10,529	412
Miscellaneous	1,816	1,248	3,602	1,401	2,467
Professional Services	1,451	-	4,947	3,231	505
Supplies	3,219	2,753	9,546	6,103	8,403
Telephone	821	1,442	1,275	1,629	932
Vocational program	-	-	64,819	38,757	-
Interest	-	-	-	-	-
Total direct program expenses	113,419	102,336	373,642	229,736	118,727
Management and general expense allocation	24,433	22,046	80,490	49,489	34,702
Increase (decrease) in unrestricted net assets	\$ (10,038)	\$ (12,518)	\$ 9,698	\$ 35,769	\$ (7,081)

Program Services				Support Services		
Nunez Street Program	Hancock Street Program	RHS Program	St. Charles Place Program	Totals	Management & General	Totals
\$ 379,810	\$ 321,662	\$ 409,724	\$ 397,687	\$ 2,580,615	\$ -	\$ 2,580,615
20,548	32,618	-	-	146,215	-	146,215
-	-	-	-	-	19,006	19,006
52	-	147	-	268	4,419	4,687
<u>400,410</u>	<u>354,280</u>	<u>409,871</u>	<u>397,687</u>	<u>2,727,098</u>	<u>23,425</u>	<u>2,750,523</u>
152,800	116,935	262,570	240,861	1,226,169	215,751	1,441,920
8,694	6,022	16,273	15,798	69,768	17,428	87,196
10,187	4,290	6,723	2,507	44,958	16,049	61,007
12,827	9,856	21,952	20,179	102,826	16,421	119,247
-	-	-	-	-	71,874	71,874
23,226	23,991	-	-	95,133	-	95,133
3,457	4,327	261	3,681	30,006	12,948	42,954
9,445	6,324	40	10,936	61,072	-	61,072
3,532	3,520	-	4,813	23,780	4,833	28,613
330	-	-	1,517	4,438	1,313	5,751
-	-	-	-	1,024	321	1,345
1,589	1,893	-	5,381	13,607	1,190	14,797
15,600	15,600	-	-	102,879	14,391	117,270
5,978	5,580	-	-	37,433	1,592	39,025
-	-	-	-	-	26,296	26,296
16,223	10,353	2,744	8,588	61,803	1,223	63,026
5,215	7,482	2,873	1,736	27,840	33,123	60,963
8,717	4,210	105	1,178	24,344	59,552	83,896
12,385	10,992	1,172	6,296	60,869	9,901	70,770
1,937	1,344	1,045	3,700	14,125	6,679	20,804
47,937	48,550	-	-	200,063	-	200,063
-	-	-	29	29	2,246	2,275
<u>340,079</u>	<u>281,269</u>	<u>315,758</u>	<u>327,200</u>	<u>2,202,166</u>	<u>513,131</u>	<u>2,715,297</u>
<u>73,260</u>	<u>60,591</u>	<u>68,020</u>	<u>70,487</u>	<u>483,518</u>	<u>(483,518)</u>	<u>-</u>
<u>\$ (12,929)</u>	<u>\$ 12,420</u>	<u>\$ 26,093</u>	<u>\$ -</u>	<u>\$ 41,414</u>	<u>\$ (6,188)</u>	<u>\$ 35,226</u>

**CONSOLIDATED STATEMENT OF ACTIVITIES AND
FUNCTIONAL EXPENSES BY PROGRAM**

Crossroads Louisiana, Inc., and Subsidiary

For the year ended June 30, 2003

	Program Services				
	Oliver Street Program	Arts Street Program	State Street Program	Toledano Street Program	Timberwood Drive Program
Support and Revenues					
Government fees for services	\$ 117,484	\$ 111,360	\$ 438,132	\$ 290,256	\$ 125,974
Rents	9,545	11,441	34,895	27,730	-
Investment income	-	-	-	-	-
Other	-	-	2,200	77	6
Total support and revenues	<u>127,029</u>	<u>122,801</u>	<u>475,227</u>	<u>318,063</u>	<u>125,980</u>
Expenses					
Salaries	66,305	62,747	157,157	82,914	72,425
Employee benefits:					
Workers compensation	2,804	2,693	9,008	3,679	3,006
Pension	3,315	3,137	7,708	3,995	3,621
Payroll taxes	5,383	5,095	12,446	6,481	5,879
Deferred Compensation	-	-	-	-	-
Bed fees	-	-	23,937	23,937	-
Depreciation	4,447	708	5,520	6,047	3,390
Food	3,372	3,096	6,981	4,550	3,033
Occupancy:					
Repairs - Buildings	5,934	31	2,270	2,640	2,307
Repairs - Furniture	317	459	494	1,265	133
Maintenance	-	857	-	-	-
Contract services	-	-	1,498	1,519	1,398
Rent	14,929	9,000	13,400	13,500	9,000
Utilities	5,185	3,283	6,125	5,906	3,066
Insurance	-	-	-	-	-
Local transportation	-	1,662	13,553	11,406	381
Miscellaneous	3,020	1,322	2,726	4,956	3,012
Professional services	1,543	-	3,812	3,915	-
Supplies	6,139	3,647	7,756	7,245	3,107
Telephone	750	1,308	1,110	1,365	981
Vocational program	-	-	63,394	38,456	-
Interest	25	-	25	19	19
Total direct program expenses	<u>123,468</u>	<u>99,045</u>	<u>338,920</u>	<u>223,795</u>	<u>114,758</u>
Management and general expense allocation	<u>30,653</u>	<u>24,591</u>	<u>83,601</u>	<u>55,564</u>	<u>29,278</u>
Increase (decrease) in unrestricted net assets	<u>\$ (27,092)</u>	<u>\$ (835)</u>	<u>\$ 52,706</u>	<u>\$ 38,704</u>	<u>\$ (18,056)</u>

Program Services				Support Services		
Nunez Street Program	Hancock Street Program	RHS Program	St. Charles Place Program	Totals	Management & General	Totals
\$ 367,340	\$ 335,242	\$ 325,638	\$ 346,337	\$ 2,457,763	\$ -	\$ 2,457,763
17,794	31,080	-	-	132,485	-	132,485
-	-	-	-	-	9,138	9,138
(77)	(77)	48	-	2,177	2,475	4,652
<u>385,057</u>	<u>366,245</u>	<u>325,686</u>	<u>346,337</u>	<u>2,592,425</u>	<u>11,613</u>	<u>2,604,038</u>
141,110	114,430	196,339	172,835	1,066,262	211,589	1,277,851
8,027	5,565	10,710	9,095	54,587	18,282	72,869
6,905	5,571	9,804	8,611	52,667	10,564	63,231
11,133	9,042	15,914	14,010	85,383	16,407	101,790
-	-	-	-	-	76,543	76,543
22,483	23,937	-	-	94,294	-	94,294
5,393	4,332	261	767	30,865	15,279	46,144
6,153	5,444	571	15,975	49,175	-	49,175
2,309	2,896	80	14,429	32,896	3,627	36,523
339	874	371	-	4,252	1,975	6,227
-	-	-	447	1,304	3,991	5,295
1,569	1,450	-	3,202	10,636	3,227	13,863
15,600	15,600	-	1,732	92,761	10,848	103,609
4,951	5,054	-	2,797	36,367	1,417	37,784
-	-	-	-	-	23,671	23,671
11,617	8,562	2,167	10,187	59,535	(5,499)	54,036
5,173	7,418	1,740	4,581	33,948	25,612	59,560
4,772	4,174	940	1,442	20,598	72,520	93,118
7,157	9,808	1,620	12,649	59,128	5,078	64,206
1,581	1,462	3,275	4,692	16,524	7,412	23,936
45,484	48,581	-	-	195,915	-	195,915
26	25	-	-	139	2,980	3,119
<u>301,782</u>	<u>274,225</u>	<u>243,792</u>	<u>277,451</u>	<u>1,997,236</u>	<u>505,523</u>	<u>2,502,759</u>
<u>74,927</u>	<u>68,085</u>	<u>60,517</u>	<u>68,886</u>	<u>496,102</u>	<u>(496,102)</u>	<u>-</u>
<u>\$ 8,348</u>	<u>\$ 23,935</u>	<u>\$ 21,377</u>	<u>\$ -</u>	<u>\$ 99,087</u>	<u>\$ 2,192</u>	<u>\$ 101,279</u>

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



Bourgeois Bennett

**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,
Crossroads Louisiana, Inc., and Subsidiary,
New Orleans, Louisiana.

We have audited the consolidated financial statements of Crossroads Louisiana, Inc., and Subsidiary (a nonprofit organization) as of and for the year ended June 30, 2004, and have issued our report thereon dated December 16, 2004. We conducted our 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 Crossroads Louisiana, Inc., 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 Crossroads Louisiana, Inc., and Subsidiary's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that,

in our judgment, could adversely affect Crossroads Louisiana, Inc., and Subsidiary's ability to record, process, summarize and report financial data consistent with the assertions of management in the consolidated financial statements. The reportable condition is described in the accompanying schedule of findings as item 04-1.

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 of 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information of the Board of Directors, management and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
December 16, 2004.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Crossroads Louisiana, Inc., and Subsidiary

Year Ended June 30, 2004

Section I - Summary of Auditor's Report

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Reportable condition(s) identified that are not
 considered to be material weakness X yes ___ no

Noncompliance material to financial statements noted? ___ yes X no

b) Federal Awards

Crossroads Louisiana, Inc., and Subsidiary did not receive federal awards in excess of \$500,000 during the year ended June 30, 2004 and, therefore, is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Section II - Financial Statement Findings

Internal Control

04-1 Criteria - The internal control structure should be designed to provide for adequate segregation of duties to provide reasonable assurance that all transactions are being properly recorded in the accounting records.

Condition - The majority of the accounting functions of the Organization are performed by one person.

Section II - Financial Statement Findings (Continued)

Internal Control (Continued)

04-1 (Continued)

Questioned Costs - None

Context - Not applicable

Effect - A weak system of internal controls over financial reporting which may result in errors and fraud not being detected in a timely manner.

Cause - A limited number of employees qualified to assist in the accounting function.

Recommendation - We recommend the Organization consider having other personnel involved in the accounting function, although to employ such controls may not be cost beneficial.

Views of responsible officials of the auditee when there is disagreement with the finding, to the extent practical - None.

Compliance

No compliance findings material to the financial statements were noted during the audit of the consolidated financial statements for the year ended June 30, 2004.

Section III - Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

**SCHEDULE OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS**

Crossroads Louisiana, Inc., and Subsidiary

For the year ended June 30, 2004

Section I - Internal Control and Compliance Material to the Financial Statements

Internal Control

No material weaknesses were noted during the audit of the consolidated financial statements for the year ended June 30, 2003.

03-1 Recommendation - We recommend the Organization consider having other personnel involved in the accounting function, although to employ such controls may not be cost beneficial.

Management's Response - The Organization's office has neither the qualified personnel nor the funds to hire additional personnel to assist in the accounting functions. Unresolved, see finding 04-1.

Compliance

No compliance findings material to the financial statements were noted during the audit of the consolidated financial statements for the year ended June 30, 2003.

Section II - Internal Control and Compliance Material to Federal Awards

Crossroads Louisiana, Inc., and Subsidiary did not receive federal awards in excess of \$300,000 during the year ended June 30, 2003 and, therefore, is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2003.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Crossroads Louisiana, Inc., and Subsidiary

For the year ended June 30, 2004

Section I - Internal Control and Compliance Material to the Financial Statements

Internal Control

No material weaknesses were noted during the audit of the consolidated financial statements for the year ended June 30, 2004.

04-1 Recommendation - We recommend the Organization consider having other personnel involved in the accounting function, although to employ such controls may not be cost beneficial.

Management's Corrective Action Plan - The Organization's office has neither the qualified personnel nor the funds to hire additional personnel to assist in the accounting functions.

Compliance

No compliance findings material to the financial statements were noted during the audit of the consolidated financial statements for the year ended June 30, 2004.

Section II - Internal Control and Compliance Material To Federal Awards

Crossroads Louisiana, Inc., and Subsidiary did not receive federal awards in excess of \$500,000 during the year ended June 30, 2004 and, therefore, is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2004.