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**KINGSLEY HOUSE, INC.
(A NONPROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2004 AND 2003

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.

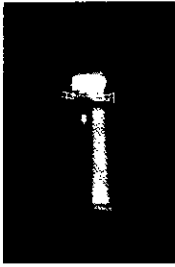
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KINGSLEY HOUSE, INC.

YEARS ENDED JUNE 30, 2004 AND 2003

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BERNARD & FRANKS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

JOSEPH V. FRANKS II, C.P.A.

NICHOLAS F. CHETTA, C.P.A.

NICHOLAS W. LAFRANZ III, C.P.A.

JAMES L. WHITE, C.P.A.

**INDEPENDENT AUDITOR'S REPORT ON
FINANCIAL STATEMENTS**

To the Board of Directors
Kingsley House, Inc.
New Orleans, Louisiana

We have audited the accompanying statements of financial position of Kingsley House, Inc. (a nonprofit organization) as of June 30, 2004 and 2003, and the related statements of revenues, expenses and other changes in net assets, cash flows and functional expenses for the years 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 audits.

We conducted our audits 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 audits 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 audits provide 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 Kingsley House, Inc. as of June 30, 2004 and 2003, and the changes in its net assets and its cash flows for the years 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 a report dated December 22, 2004, on our consideration of Kingsley House, Inc.'s internal control over financial reporting and our tests of its compliance with certain provision 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.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Kingsley House, Inc. taken as a whole. 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 audits 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.

Bernard & Franks

Metairie, Louisiana
December 22, 2004

KINGSLEY HOUSE, INC.

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2004 AND 2003**

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>
ASSETS:		
Cash and cash equivalents	\$ 77,381	\$ -
Investments	1,490,085	79,203
Unconditional promises to give	-	1,074,351
Accounts receivable		
Government contracts	464,994	-
Other	2,144	-
Prepaid expenses	126,218	-
Cash held for acquisition of property and donor restricted purposes	-	121,109
Long-term investments	-	1,277
Land, building, and equipment, net	1,380,666	5,023,297
TOTAL ASSETS	\$ 3,541,488	\$ 6,299,237
 LIABILITIES AND NET ASSETS		
Accounts payable	\$ 347,491	\$ -
Lines of credit	40,000	-
Funds held for others	-	-
Long-term debt	-	285,001
TOTAL LIABILITIES	\$ 387,491	\$ 285,001
 Net assets:		
Unrestricted	\$ 1,644,182	\$ -
Board restricted	1,509,815	-
Total unrestricted	\$ 3,153,997	\$ -
Temporarily restricted	-	6,014,236
Permanently restricted	-	-
TOTAL NET ASSETS	\$ 3,153,997	\$ 6,014,236
TOTAL LIABILITIES AND NET ASSETS	\$ 3,541,488	\$ 6,299,237

See accompanying Notes To Financial Statements.

<u>Permanently Restricted</u>	<u>June 30, 2004 Total</u>	<u>June 30, 2003 Total</u>
\$ -	\$ 77,381	\$ 88,030
-	1,569,288	1,365,213
2,160	1,076,511	1,253,515
-	464,994	484,900
-	2,144	240
-	126,218	63,325
-	121,109	49,185
148,400	149,677	145,804
-	6,403,963	6,523,285
<u>\$ 150,560</u>	<u>\$ 9,991,285</u>	<u>\$ 9,973,497</u>
\$ -	\$ 347,491	\$ 330,052
-	40,000	330,000
-	-	2,777
-	285,001	285,001
<u>\$ -</u>	<u>\$ 672,492</u>	<u>\$ 947,830</u>
\$ -	\$ 1,644,182	\$ 1,751,025
-	1,509,815	1,381,355
<u>\$ -</u>	<u>\$ 3,153,997</u>	<u>\$ 3,132,380</u>
-	6,014,236	5,742,727
150,560	150,560	150,560
<u>\$ 150,560</u>	<u>\$ 9,318,793</u>	<u>\$ 9,025,667</u>
<u>\$ 150,560</u>	<u>\$ 9,991,285</u>	<u>\$ 9,973,497</u>

KINGSLEY HOUSE, INC.

**STATEMENT OF REVENUES, EXPENSES AND OTHER
CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2004**

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 261,110	\$ 556,476	\$ -	\$ 817,586
Federal financial assistance and other state and federal revenue	3,543,628	20,678	-	3,564,306
United Way funding for next year	-	535,203	-	535,203
Investment income	179,894	-	-	179,894
Program fees	28,436	-	-	28,436
Self support	74,494	-	-	74,494
Other	144,258	-	-	144,258
Net assets released from restrictions				
United Way funding for the year	607,495	(607,495)	-	-
Restrictions satisfied by payments	233,353	(233,353)	-	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	\$ 5,072,668	\$ 271,509	\$ -	\$ 5,344,177
EXPENSES				
Program services				
Pre-school day care	\$ 1,566,106	\$ -	\$ -	\$ 1,566,106
School age day care/youth	432,846	-	-	432,846
Adult day health care	639,658	-	-	639,658
Family preservation	310,492	-	-	310,492
Resource center	135,594	-	-	135,594
Child protection service	220,706	-	-	220,706
Community and Supportive Services	404,087	-	-	404,087
Health Care for All	234,964	-	-	234,964
Family-to-family	394,096	-	-	394,096
Supporting services				
Management and general	623,611	-	-	623,611
Fund-raising	88,665	-	-	88,665
TOTAL EXPENSES	\$ 5,050,825	\$ -	\$ -	\$ 5,050,825
INCREASE (DECREASE) IN NET ASSETS	\$ 21,843	\$ 271,509	\$ -	\$ 293,352
NET ASSETS AT BEGINNING OF YEAR	3,132,380	5,742,727	\$ 150,560	\$ 9,025,667
NET ASSETS AT END OF YEAR	\$ 3,154,223	\$ 6,014,236	\$ 150,560	\$ 9,319,019

See accompanying Notes To Financial Statements.

KINGSLEY HOUSE, INC.

**STATEMENT OF REVENUES, EXPENSES AND OTHER
CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2003**

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 250,908	\$ 68,224	\$ 6,258	\$ 325,390
Federal financial assistance and other state and federal revenue	3,609,385	27,663	-	3,637,048
United Way funding for next year	-	608,249	-	608,249
Investment income	46,016	520	-	46,536
Program fees	26,744	-	-	26,744
Self support	81,209	-	-	81,209
Other	76,930	-	-	76,930
Net assets released from restrictions				
United Way funding for the year	639,161	(639,161)	-	-
Restrictions satisfied by payments	198,890	(198,890)	-	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	\$ 4,929,243	\$ (133,395)	\$ 6,258	\$ 4,802,106
EXPENSES				
Program services				
Pre-school day care	\$ 1,547,358	\$ -	\$ -	\$ 1,547,358
School age day care/youth	351,367	-	-	351,367
Adult day health care	600,225	-	-	600,225
Family preservation	331,974	-	-	331,974
Resource center	121,499	-	-	121,499
Child protection service	209,268	-	-	209,268
Case management	431,700	-	-	431,700
Health care for all	209,866	-	-	209,866
Family-to-family	407,045	-	-	407,045
Supporting services				
Management and general	603,669	-	-	603,669
Fund-raising	97,389	-	-	97,389
TOTAL EXPENSES	\$ 4,911,360	\$ -	\$ -	\$ 4,911,360
INCREASE (DECREASE) IN NET ASSETS	\$ 17,883	\$ (133,395)	\$ 6,258	\$ (109,254)
NET ASSETS AT BEGINNING OF YEAR	3,114,497	5,876,122	\$ 144,302	\$ 9,134,921
NET ASSETS AT END OF YEAR	\$ 3,132,380	\$ 5,742,727	\$ 150,560	\$ 9,025,667

See accompanying Notes To Financial Statements.

KINGSLEY HOUSE, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2004

	<i>Program Services</i>					
	<i>Pre-School Day Care</i>	<i>School Age Day Care/Youth</i>	<i>Adult Day Health Care</i>	<i>Family Preservation</i>	<i>Resource Center</i>	<i>Child Protection Service</i>
Compensation and related expenses						
Compensation	\$ 922,658	\$ 171,488	\$ 339,009	\$ 197,949	\$ 86,014	\$ 148,104
Employee benefits						
Medical	69,679	7,605	23,532	18,578	1,013	13,107
Retirement	48,595	3,417	17,768	8,353	4,502	7,441
Other	5,585	555	1,969	1,138	402	860
Payroll taxes	72,189	13,400	26,640	15,516	6,813	11,459
	<u>\$ 1,118,706</u>	<u>\$ 196,465</u>	<u>\$ 408,918</u>	<u>\$ 241,534</u>	<u>\$ 98,744</u>	<u>\$ 180,971</u>
Awards and grants	-	-	-	-	-	-
Conferences, conventions, and meetings	9,484	1,754	2,610	4,973	2,402	1,493
Food	85,311	21,244	27,473	16	306	237
Grant equipment purchases	12,994	324	559	248	365	2,759
Insurance						
Liability	19,397	5,006	7,508	4,380	1,877	2,192
Property and casualty	13,683	6,646	5,473	1,173	-	391
Vehicles	5,011	-	12,679	-	-	-
Workers' compensation	15,677	4,019	9,563	2,019	729	1,269
Membership dues	5,139	1,271	546	1,337	564	63
Occupancy						
Electricity	24,460	14,281	7,917	1,697	1,116	566
Gas	2,640	1,282	1,056	226	-	76
Maintenance and repairs	19,316	17,266	5,864	1,666	232	502
Water and sewer	7,648	2,568	1,136	243	-	81
Postage	1,838	541	812	469	389	292
Printing and publications	2,480	1,299	1,128	693	1,460	362
Professional fees	24,177	47,927	31,983	2,475	3,844	399
Rental and maintenance of equipment	4,055	6,051	3,192	873	35	291
Supplies						
Kitchen	3,895	1,018	2,007	10	13	7
Office	3,056	1,997	2,086	721	3,427	2,128
Recreation, crafts	19,478	20,471	6,690	565	9,793	215
Other	24,754	8,187	9,412	1,630	778	738
Telephone	1,625	547	2,361	4,313	2,646	3,515
Travel	11,195	26,051	21,320	15,028	2,610	10,664
Specific assistance to individuals	23	11	2,559	5,015	-	6,388
Other	5,414	5,280	3,309	1,999	3,585	1,887
TOTAL EXPENSES BEFORE DEPRECIATION	<u>\$ 1,441,456</u>	<u>\$ 391,506</u>	<u>\$ 578,161</u>	<u>\$ 293,303</u>	<u>\$ 134,915</u>	<u>\$ 217,486</u>
Depreciation expense	<u>124,650</u>	<u>41,340</u>	<u>61,497</u>	<u>17,189</u>	<u>679</u>	<u>3,220</u>
TOTAL EXPENSES	<u>\$ 1,566,106</u>	<u>\$ 432,846</u>	<u>\$ 639,658</u>	<u>\$ 310,492</u>	<u>\$ 135,594</u>	<u>\$ 220,706</u>

See accompanying Notes To Financial Statements.

<i>Program Services</i>			<i>Supporting Services</i>		<i>Total</i>
<i>Community and Supportive Services</i>	<i>Health Care for All</i>	<i>Family-To-Family</i>	<i>Management and General</i>	<i>Fund-Raising</i>	
\$ 284,146	\$ 156,722	\$ 261,978	\$ 343,798	\$ 60,915	\$ 2,972,781
23,726	22,295	25,049	28,143	5,170	237,897
10,901	8,087	10,469	17,860	3,064	140,457
1,801	1,002	1,416	1,869	365	16,962
<u>22,104</u>	<u>11,933</u>	<u>20,466</u>	<u>26,663</u>	<u>4,747</u>	<u>231,930</u>
\$ 342,678	\$ 200,039	\$ 319,378	\$ 418,333	\$ 74,261	\$ 3,600,027
-	-	-	-	-	-
20,300	1,698	4,923	9,361	388	59,386
724	12	11,355	(329)	-	146,349
139	4,158	864	1,045	163	23,618
-	1,564	4,689	16,667	-	63,280
-	195	782	10,223	-	38,566
-	-	4,967	-	-	22,657
2,473	1,329	2,221	3,793	516	43,608
-	160	1,171	6,498	-	16,749
-	282	1,131	16,904	-	68,354
-	38	151	2,074	-	7,543
294	527	3,395	16,566	44	65,672
-	40	162	2,737	-	14,615
1,324	62	22	1,384	683	7,816
752	444	358	1,795	3,318	14,089
5,694	1,398	2,905	25,795	6,000	152,597
1,448	602	328	4,405	1,890	23,170
212	29	372	196	-	7,759
4,326	4,667	1,729	3,723	57	27,917
310	732	8,606	19	-	66,879
1,762	458	1,092	10,830	2	59,643
3,601	772	547	2,475	185	22,587
1,767	7,160	10,164	3,750	85	109,794
5,342	436	615	18	-	20,407
<u>308</u>	<u>1,647</u>	<u>3,155</u>	<u>8,755</u>	<u>1,073</u>	<u>36,412</u>
\$ 393,454	\$ 228,449	\$ 385,082	\$ 567,017	\$ 88,665	\$ 4,719,494
<u>10,622</u>	<u>6,515</u>	<u>9,014</u>	<u>56,594</u>	<u>-</u>	<u>331,320</u>
\$ 404,076	\$ 234,964	\$ 394,096	\$ 623,611	\$ 88,665	\$ 5,050,814

KINGSLEY HOUSE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2003**

	<i>Program Services</i>					
	<i>Pre-School Day Care</i>	<i>School Age Day Care/Youth</i>	<i>Adult Day Health Care</i>	<i>Family Preservation</i>	<i>Resource Center</i>	<i>Child Protection Service</i>
Compensation and related expenses						
Compensation	\$ 906,321	\$ 158,640	\$ 320,114	\$ 228,979	\$ 81,017	\$ 152,114
Employee benefits						
Medical	62,597	6,729	15,647	16,066	2,602	14,307
Retirement	49,786	4,392	17,643	11,368	4,673	5,541
Other	5,775	514	1,730	1,283	379	1,064
Payroll taxes	71,403	12,737	25,308	17,709	6,430	11,563
	<u>\$ 1,095,882</u>	<u>\$ 183,012</u>	<u>\$ 380,442</u>	<u>\$ 275,405</u>	<u>\$ 95,101</u>	<u>\$ 184,589</u>
Awards and grants	-	90	-	-	-	-
Conferences, conventions, and meetings	7,507	1,354	4,617	2,951	2,196	1,589
Food	74,008	12,958	29,364	125	318	205
Grant equipment purchases	13,766	1,195	108	645	325	688
Insurance						
Liability	16,190	4,848	5,936	4,317	1,719	2,698
Property and casualty	12,051	6,482	4,821	1,033	-	344
Vehicles	4,316	-	11,460	-	-	-
Workers' compensation	13,334	3,590	9,690	2,029	651	1,105
Membership dues	3,888	1,229	1,072	905	84	196
Occupancy						
Electricity	22,326	10,575	9,273	1,876	989	625
Gas	1,968	829	1,027	169	-	56
Maintenance and repairs	36,147	9,216	6,562	1,340	4,218	451
Water and sewer	7,379	3,173	1,203	243	-	81
Postage	1,819	543	766	467	327	292
Printing and publications	3,956	985	896	1,073	639	250
Professional fees	28,653	38,884	30,191	2,176	1,340	583
Rental and maintenance of equipment	3,436	2,627	2,873	907	195	306
Supplies						
Kitchen	3,498	606	1,169	33	-	1
Office	3,865	5,805	1,500	1,820	2,961	1,382
Recreation, crafts	25,145	7,945	4,221	332	1,958	-
Other	21,509	5,672	6,994	894	216	608
Telephone	1,688	737	3,057	5,030	3,280	3,553
Travel	15,961	23,330	24,653	7,657	3,035	4,953
Specific assistance to individuals	335	38	-	3,460	-	956
Other	6,014	3,623	1,417	1,208	1,240	963
TOTAL EXPENSES BEFORE DEPRECIATION	<u>\$ 1,424,641</u>	<u>\$ 329,346</u>	<u>\$ 543,312</u>	<u>\$ 316,095</u>	<u>\$ 120,792</u>	<u>\$ 206,474</u>
Depreciation expense	<u>122,717</u>	<u>22,021</u>	<u>56,913</u>	<u>15,879</u>	<u>707</u>	<u>2,794</u>
TOTAL EXPENSES	<u>\$ 1,547,358</u>	<u>\$ 351,367</u>	<u>\$ 600,225</u>	<u>\$ 331,974</u>	<u>\$ 121,499</u>	<u>\$ 209,268</u>

See accompanying Notes To Financial Statements.

<i>Program Services</i>			<i>Supporting Services</i>		<i>Total</i>
<i>Case Management</i>	<i>Health Care for All</i>	<i>Family-To-Family</i>	<i>Management and General</i>	<i>Fund-Raising</i>	
\$ 321,139	\$ 146,477	\$ 252,013	\$ 359,840	\$ 68,794	\$ 2,995,448
22,193	15,742	19,083	19,505	4,593	199,064
8,726	6,846	9,445	22,030	3,037	143,487
1,802	940	1,387	2,328	329	17,531
<u>25,343</u>	<u>11,099</u>	<u>20,038</u>	<u>27,134</u>	<u>4,922</u>	<u>233,686</u>
\$ 379,203	\$ 181,104	\$ 301,966	\$ 430,837	\$ 81,675	\$ 3,589,216
-	-	-	468	-	558
3,918	-	6,143	10,779	488	41,542
493	278	11,628	627	-	130,004
1,212	2,858	11,553	1,412	98	33,860
4,317	2,698	4,317	6,950	-	53,990
689	344	689	7,979	-	34,432
-	-	4,488	-	-	20,264
2,361	1,106	1,879	2,983	466	39,194
-	352	905	3,542	-	12,173
-	571	1,768	16,670	-	64,673
-	55	166	1,539	-	5,809
2,533	455	1,537	11,822	-	74,281
-	74	230	2,368	-	14,751
584	14	9	2,906	2,163	9,890
947	169	670	2,984	8,035	20,604
7,213	1,711	13,788	18,772	609	143,920
1,335	635	463	4,603	1,800	19,180
68	21	-	211	-	5,607
3,940	3,049	6,376	3,176	148	34,022
7	-	17,164	-	1,088	57,860
-	265	1,437	8,188	85	45,868
3,905	551	398	2,920	377	25,496
3,904	7,043	7,763	2,851	12	101,162
2,919	443	100	-	-	8,251
<u>2,255</u>	<u>457</u>	<u>2,952</u>	<u>11,101</u>	<u>345</u>	<u>31,575</u>
\$ 421,803	\$ 204,253	\$ 398,389	\$ 555,688	\$ 97,389	\$ 4,618,182
9,897	5,613	8,656	47,981	-	293,178
<u>\$ 431,700</u>	<u>\$ 209,866</u>	<u>\$ 407,045</u>	<u>\$ 603,669</u>	<u>\$ 97,389</u>	<u>\$ 4,911,360</u>

KINGSLEY HOUSE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 293,126	\$ (109,254)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	331,320	293,178
Unrealized (gains) losses on investments	(111,193)	124,239
Realized (gains) losses on investments	(30,361)	(80,372)
Uncollectible provision (recovery of bad debts)	(2,641)	(1,041)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	15,842	106,297
(Increase) decrease in United Way funding for next year	48,793	30,912
(Increase) decrease in prepaid expenses	(62,893)	28,766
Increase (decrease) in accounts payable	17,439	72,393
Increase (decrease) in funds held for others	(2,777)	(12,780)
Contributions restricted for long-term purposes:		
Contributions restricted to capital campaign	(407,720)	(126,575)
(Amortization of) discount on unconditional promises to give	(27,149)	73,670
Net cash provided by (used in) operating activities	\$ 61,786	\$ 399,433
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of long-term investments	\$ (3,873)	\$ (893)
Proceeds from sales of long-term investments	-	-
Purchases of investments	(145,121)	(114,238)
Proceeds from sales of investments	82,600	128,370
Payments for land, building and equipment	(211,999)	(1,228,480)
Net cash used in investing activities	\$ (278,393)	\$ (1,215,241)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital Campaign collections	\$ 567,882	\$ 205,226
Proceeds from (payments on) lines of credit and loans	(290,000)	615,001
Cash held for acquisition of property	(71,924)	(5,030)
Net cash provided by financing activities	\$ 205,958	\$ 815,197
Net increase (decrease) in cash and cash equivalents	\$ (10,649)	\$ (611)
Cash and cash equivalents, beginning of year	88,030	88,641
Cash and cash equivalents, end of year	\$ 77,381	\$ 88,030
SUPPLEMENTAL DISCLOSURES OF CASH INFORMATION		
Cash paid for:		
Interest	\$ 5,016	\$ -

See accompanying Notes to Financial Statements.

KINGSLEY HOUSE, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

Kingsley House, Inc. is a United Way agency serving the New Orleans area. In addition the Organization obtains funds from governmental grants and donor contributions. Approximately 75% and 15% of the Organization's revenues for the year ended June 30, 2004 came from government programs and allocations from the United Way. Approximately 76% and 13% of the Organization's revenues for the year ended June 30, 2003 came from government programs and allocations from the United Way.

Programs provided by the Organization are as follows:

Pre-school Day Care - A state licensed Head Start center is provided for 210 children.

School Age Day Care and Youth Programs - A day care center is maintained for school age children for after school hours as well as a full day program for the summer vacation. An evening youth program is provided for teenagers.

Adult Day Health Care - The Agency operates an adult day health care program for 65 elderly or disabled adults and a senior center for persons over 60 years old.

Family Preservation - Intensive at-home counseling services are provided to families in crisis and at-risk of having their children removed from the home. It serves over 100 families a year and is available 24 hours a day.

Resource Center - The Organization maintains a child welfare family resource center which provides family preservation and family support services in LaPlace, St. James Parish and St. Charles Parish.

Child Protection Service - The Organization has a contract with the State of Louisiana to investigate and assess reports of child abuse and neglect and to provide services which support families.

Community and Supportive Services - The Organization has a program to strengthen and develop life management skills to relocated residents of the St. Thomas Housing Development in an effort to help them become self sufficient.

KINGSLEY HOUSE, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Health Care for All - The agency has a program to increase enrollment, in the St. Thomas and surrounding community, in the Louisiana Child Health Insurance Program and Louisiana Medicaid Program.

Family-to-Family - An early head start program that provides in-home day care for children ages eleven months to three years.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Contributions

In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Donated Services

No amounts have been reflected in the financial statements for donated services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments. The Organization received 13,080 volunteer hours for the year ended June 30, 2004.

KINGSLEY HOUSE, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Expense Allocation

Expenses are charged to each program directly when the charge is identified to the program. Program expenditures which cannot be directly identified to a program are allocated based on square footage, usage statistics and ratio of program expenses to total expenses as appropriate. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 190(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents, except that assets restricted for long-term purposes are not included as cash equivalents regardless of the liquidity.

Investment Securities

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-For-Profit Organizations." Under SFAS No. 124, the Organization is required to report investments with readily determinable fair values and all investments in debt securities at fair value. Unrealized gains and losses for the years ended June 30, 2004 and 2003 are included in the statements of changes in net assets. Investments received as gifts are recorded at the fair value at the date of the gift.

KINGSLEY HOUSE, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Land, Building and Equipment

Land, building and equipment are carried at cost. All expenditures for land, buildings and equipment and the fair value of donated land, buildings and equipment in excess of \$1,000 are capitalized, except expenditures from federal awards are capitalized if they exceed \$5,000 and the Organization does not capitalize property purchased with resources from grants that specify that the title remains with or reverts to grantor. Depreciation is computed using the straight-line.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions over the useful life of the donated asset. The Organization reclassifies temporarily restricted net assets to unrestricted net assets over such useful life.

Designation of Unrestricted Net Assets

It is the policy of the Board of Directors of the Organization to review its plans for future property improvements and acquisitions from time to time and to designate appropriate sums to assure adequate financing of such improvements and acquisitions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

KINGSLEY HOUSE, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

Note 2. TEMPORARILY RESTRICTED NET ASSETS

Substantially all of the restrictions on net assets at June 30, 2004 and 2003, relate to funds raised through the Second Century Campaign, Capital Campaign, United Way funding for the next year and prior years funds restricted to purchasing or improving equipment and facilities.

The Organization solicited contributions to renovate the existing facilities through the two Capital Campaigns. The Second Century Capital Campaign was completed in 2004 and raised \$2,400,000 toward the improvement of the facilities. Temporarily restricted net assets related to the Capital Campaigns represents the undepreciated portion of renovation expenditures. In accordance with the Organization's policy, these restrictions will be released as the assets are depreciated.

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2004</u>	<u>2003</u>
United Way funding for next year	\$ 559,456	\$ 608,249
Renovation of Kingsley House facility	5,023,297	4,889,855
Use restricted for facility improvements	<u>431,483</u>	<u>244,623</u>
	<u>\$ 6,014,236</u>	<u>\$ 5,742,727</u>

Note 3. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following:

	<u>2004</u>	<u>2003</u>
Restricted to renovation of facility and endowment	\$ 653,528	\$ 811,529
United Way services	<u>559,456</u>	<u>608,249</u>
Gross unconditional promises to give	<u>\$ 1,212,984</u>	<u>\$ 1,419,778</u>
Less: Unamortized discount	\$ 130,155	\$ 157,304
Allowance for uncollectible promises	<u>6,318</u>	<u>8,959</u>
	<u>\$ 136,473</u>	<u>\$ 166,263</u>
Net unconditional promises to give	<u>\$ 1,076,511</u>	<u>\$ 1,253,515</u>

KINGSLEY HOUSE, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

Note 3. UNCONDITIONAL PROMISES TO GIVE (CONTINUED)

Amounts due in:	
Less than one year	\$ 600,233
One to five years	<u>612,751</u>
Gross unconditional promises to give	<u>\$ 1,212,984</u>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 8%.

The amount due from the United Way consists of the following:

	2004	2003
Allocation for next fiscal year		
General allocation	\$ 521,996	\$ 579,552
Donor designation	25,335	16,433
Combined Federal Campaign	<u>12,124</u>	<u>12,264</u>
	<u>\$ 559,455</u>	<u>\$ 608,249</u>

Note 4. INVESTMENTS

The following is a summary of investments at June 30, 2004 and 2003:

	June 30, 2004		
	Cost or Donated Value	Fair Value	Unrealized Appreciation (Depreciation)
Money funds	\$ 54,645	\$ 54,645	\$ ---
Bonds and notes	6,081	5,073	(1,006)
Greater New Orleans Foundation -			
Kingsley House Fund	31,285	34,935	3,650
Mutual fund	1,930	1,712	(218)
Common stocks	<u>1,320,822</u>	<u>1,622,600</u>	<u>301,778</u>
	<u>\$1,414,763</u>	<u>\$1,718,965</u>	<u>\$ 304,204</u>

KINGSLEY HOUSE, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

Note 4. INVESTMENTS (CONTINUED)

	June 30, 2003		
	Cost or Donated Value	Fair Value	Unrealized Appreciation (Depreciation)
Money funds	\$ 57,353	\$ 57,353	\$ ---
Bonds and notes	6,081	5,400	(681)
Greater New Orleans Foundation - Kingsley House Fund	31,707	31,368	(339)
Mutual fund	1,930	1,439	(491)
Common stocks	<u>1,189,652</u>	<u>1,415,457</u>	<u>225,805</u>
	<u>\$1,286,723</u>	<u>\$1,511,017</u>	<u>\$ 224,294</u>

Investments are included in the statement of financial position at fair value as follows:

	2004	2003
Investments	\$ 1,569,288	\$ 1,365,213
Long term investments	<u>149,677</u>	<u>145,804</u>
	<u>\$ 1,718,965</u>	<u>\$ 1,511,017</u>

The following schedules summarize the investment return and its classification in the statement of activities:

	Year ended June 30, 2004		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 38,340	\$ ---	\$ 38,340
Net realized gains (losses)	30,361	---	30,361
Net unrealized gains (losses)	<u>111,193</u>	---	<u>111,193</u>
Total investment income	<u>\$ 179,894</u>	<u>\$ ---</u>	<u>\$ 179,894</u>

KINGSLEY HOUSE, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

Note 4. INVESTMENTS (CONTINUED)

	Year ended June 30, 2003		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 89,883	\$ 520	\$ 90,403
Net realized gains (losses)	80,372	--	80,372
Net unrealized gains (losses)	(124,239)	--	(124,239)
Total investment income	\$ 46,016	\$ 520	\$ 46,536

Note 5. LAND, BUILDING AND EQUIPMENT

At June 30, 2004, the costs and related accumulated depreciation of land, building and equipment consisted of the following:

	Cost	Accumulated Depreciation	Net	Depreciation Annual Rates
Land	\$ 87,402	\$ ---	\$ 87,402	---
Buildings	8,833,446	2,665,041	6,168,405	4 percent
Improvements	73,570	68,102	5,468	4-10 percent
Construction in progress	4,692	---	4,692	
Transportation equipment	178,574	143,759	34,815	20-33 percent
Furniture, fixtures and equipment	542,317	439,136	103,181	12-20 percent
	<u>\$ 9,720,001</u>	<u>\$ 3,316,038</u>	<u>\$ 6,403,963</u>	

At June 30, 2003 the costs and related accumulated depreciation of land, building and equipment consisted of the following:

	Cost	Accumulated Depreciation	Net	Depreciation Annual Rates
Land	\$ 87,402	\$ --	\$ 87,402	---
Buildings	7,553,916	2,390,903	5,163,013	4 percent
Improvements	73,570	66,540	7,030	4-10 percent
Construction in progress	1,137,928	---	1,137,928	
Transportation equipment	135,944	131,337	4,607	20-33 percent
Furniture, fixtures and equipment	519,243	395,938	123,305	12-20 percent
	<u>\$ 9,508,003</u>	<u>\$ 2,984,718</u>	<u>\$ 6,523,285</u>	

KINGSLEY HOUSE, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

Note 6. LEASES

The Organization leases service facilities under the terms of annual renewal lease agreements accounted for as operating leases requiring monthly payments of \$315.

Lease expense for the years ended June 30, 2004 and 2003 was \$2,400 and \$5,863, respectively.

Note 7. LINES OF CREDIT

Kingsley House has the following lines of credit outstanding as of June 30, 2004:

Line of credit, unsecured, payable to the bank carrying interest at a variable annual rate (4.00% at June 30, 2004); the line of credit was renewed through December 31, 2004; total credit line is \$175,000 of which \$135,000 is available at June 30, 2004.

\$ 40,000

Interest expense totaled \$5,016 for the year ended June 30, 2004.

Note 8. LONG-TERM DEBT

Kingsley House entered into a deferred loan arrangement from the proceeds of funds from the U.S. Department of Housing and Urban Development (HUD) administered by the City of New Orleans involving Community Development Block Grant Program funds. The loan proceeds were used to improve and renovate the Kingsley House facility.

The agreement forgives \$60,000 per year of the debt subject to specific use of the property requirements. The use requirement states that Kingsley House facility shall be used solely as an educational or social service facility in accordance with Community Development regulations to receive the debt forgiveness. If Kingsley House sells or converts the facility to ineligible use, then the balance due on the loan would become immediately due and payable to the City of New Orleans. As of June 30, 2004, the entire balance of \$285,001 is due to the City of New Orleans subject to the above requirements.

KINGSLEY HOUSE, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

Note 8. LONG-TERM DEBT (CONTINUED)

The loan is secured by land, building and improvements (Kingsley House facility) and does not require interest to be paid on the balance due.

The following is a schedule of debt repayments:

Year ended June 30,

2005	\$ 60,000
2006	60,000
2007	60,000
2008	60,000
2009	<u>45,001</u>
Total	<u>\$ 285,001</u>

Note 9. RETIREMENT PLAN

The Organization maintains a noncontributory defined contribution retirement plan for employees who have attained age 21 and have completed two years of service. Employees receive a 100% vested interest in all contributions by the Organization on their behalf. Contributions are based on 4% of plan participants' salaries up to \$9,000 and 8% thereafter. Total retirement plan expense was \$140,456 and \$143,487 for the years ended June 30, 2004 and 2003, respectively. The Organization funds the retirement plan cost accrued for the year.

Note 10. CONTINGENCIES

The Organization received a portion of its revenue from government grants, which are subject to audit by the respective funding source. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by such governmental units. Until such audits have been completed and final settlement is reached, there exists a contingency to refund any amount received in excess of allowance costs.

Management is of the opinion that no material liability will result from such audits.

KINGSLEY HOUSE, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004 AND 2003**

Note 11. COMMITMENTS

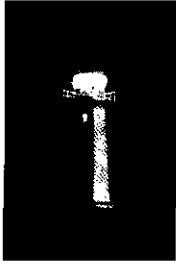
The Organization entered into a contract to construction a parking lot in the amount of \$71,000. The construction will be complete in the subsequent year.

The Organization has also signed a cooperative endeavor agreement with the Orleans Parish School Board which provides for the right of use of a tract of land by the Organization from the School Board. The right of use is for a term of 50 years. The right of use also contains a renewal term of 49 additional years at the Organization's option. The tract of land is divided into three sections. The right of use requires the Organization to build on each of the three sections within 5, 10 and 15 years, respectively. Failure to complete the improvements within the stipulated period results in termination of the agreement for the section of land in which construction did not occur.

Note 12. BOARD OF DIRECTORS COMPENSATION

The Board of Directors of Kingsley House serves and directs the Organization on a voluntary basis. The Board does not receive compensation.

SUPPLEMENTARY INFORMATION



BERNARD & FRANKS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

JOSEPH V. FRANKS II, C.P.A.

NICHOLAS F. CHETTA, C.P.A.

NICHOLAS W. LAFRANZ III, C.P.A.

JAMES L. WHITE, C.P.A.

**INDEPENDENT AUDITOR'S REPORT ON
THE SUPPLEMENTARY INFORMATION**

To the Board of Directors
Kingsley House, Inc.
New Orleans, Louisiana

Our report on our audit of the basic financial statements of Kingsley House for 2004 appears on page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements 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, except for that portion marked "unaudited", on which we express no opinion, 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.

Bernard & Franks

Metairie, Louisiana
December 22, 2004

KINGSLEY HOUSE, INC.

SCHEDULE OF SUPPORT, REVENUES AND EXPENSES IN ACCORDANCE WITH UNITED WAY REQUIREMENTS

(UNAUDITED)

YEAR ENDED JUNE 30, 2004

	<i>Agency Total</i>	<i>Supporting Services Management and General</i>	<i>Building Improvement and Endowment Fund Drive</i>	<i>Total Program Services</i>	<i>Pre-School Day Care</i>
REVENUE:					
Board Generated Self Support	\$ 892,080	\$ 81,438	\$ 556,476	\$ 254,166	\$ -
Client Generated Self Support	28,436	-	-	28,436	-
Governmental Grants/Contracts	3,543,628	-	-	3,543,628	1,349,934
Other revenue	217,961	158,016	985	58,960	75
TOTAL SELF-GENERATED REVENUE	\$ 4,682,105	\$ 239,454	\$ 557,461	\$ 3,885,190	\$ 1,350,009
United Way Designation	16,433	-	16,433	-	-
CFC Designations	15,241	764	14,477	-	-
Other United Way Allocations	103,214	-	-	103,214	-
TOTAL REVENUE	\$ 4,816,993	\$ 240,218	\$ 588,371	\$ 3,988,404	\$ 1,350,009
United Way Allocation-GNO	578,798	(754)	-	579,552	267,418
GRAND TOTAL REVENUE	\$ 5,395,791	\$ 239,464	\$ 588,371	\$ 4,567,956	\$ 1,617,427
EXPENSES:					
Compensation Expenses	\$ 3,643,635	\$ 422,126	\$ 74,777	\$ 3,146,732	\$ 1,134,383
Occupancy Expenses	258,041	65,171	44	192,826	87,144
Travel and Transportation	132,451	3,750	85	128,616	16,206
Specific Assistance	20,407	18	-	20,389	23
Board Generated Self Support	13,596	-	13,596	-	-
Other Direct Program Expenses	627,757	74,907	-	552,850	190,706
Fixed Assets	23,618	1,045	163	22,410	12,994
GRAND TOTAL EXPENSES	\$ 4,719,505	\$ 567,017	\$ 88,665	\$ 4,063,823	\$ 1,441,456
NET DIFFERENCE	\$ 676,286	\$ (327,553)	\$ 499,706	\$ 504,133	\$ 175,971
Depreciation	\$ 331,320	\$ 56,594	\$ -	\$ 274,726	\$ 124,650
Total Direct Program Expenses					\$ 1,441,456
Percentage of Total Program Expenses					35.48%
Distribution of M&G Expenses					\$ 201,178
Grand Total Program Expenses					\$ 1,642,634

Program Services

School Age Day Care/Youth	Adult Day Health Care	Family Preservation	Resource Centers	Child Protection Service	Community and Supportive Services	Health Care for All	Family-To- Family
\$ 8,100	\$ 220	\$ 16,088	\$ -	\$ -	\$ -	\$ 229,758	\$ -
19,704	8,732	-	-	-	-	-	-
167,353	684,912	277,158	90,729	216,269	438,812	-	318,461
<u>32,088</u>	<u>1,592</u>	<u>13</u>	<u>-</u>	<u>-</u>	<u>15,938</u>	<u>9,254</u>	<u>-</u>
\$ 227,245	\$ 695,456	\$ 293,259	\$ 90,729	\$ 216,269	\$ 454,750	\$ 239,012	\$ 318,461
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	40,197	-	-	-	63,017
\$ 227,245	\$ 695,456	\$ 293,259	\$ 130,926	\$ 216,269	\$ 454,750	\$ 239,012	\$ 381,478
<u>191,921</u>	<u>52,536</u>	<u>67,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ 419,166	\$ 747,992	\$ 360,936	\$ 130,926	\$ 216,269	\$ 454,750	\$ 239,012	\$ 381,478
\$ 200,484	\$ 418,481	\$ 243,553	\$ 99,473	\$ 182,240	\$ 345,151	\$ 201,368	\$ 321,599
47,049	28,954	9,385	3,225	3,808	305	2,646	10,310
26,051	33,999	15,028	2,610	10,664	1,767	7,160	15,131
11	2,559	5,015	-	6,388	5,342	436	615
117,587	93,609	20,074	29,242	11,627	40,761	12,681	36,563
<u>324</u>	<u>559</u>	<u>248</u>	<u>365</u>	<u>2,759</u>	<u>139</u>	<u>4,158</u>	<u>864</u>
\$ 391,506	\$ 578,161	\$ 293,303	\$ 134,915	\$ 217,486	\$ 393,465	\$ 228,449	\$ 385,082
\$ 27,660	\$ 169,831	\$ 67,633	\$ (3,989)	\$ (1,217)	\$ 61,285	\$ 10,563	\$ (3,604)
\$ 41,340	\$ 61,497	\$ 17,189	\$ 679	\$ 3,220	\$ 10,622	\$ 6,515	\$ 9,014
\$ 391,506	\$ 578,161	\$ 293,303	\$ 134,915	\$ 217,486	\$ 393,465	\$ 228,449	\$ 385,082
<u>9.63%</u>	<u>14.23%</u>	<u>7.22%</u>	<u>3.32%</u>	<u>5.35%</u>	<u>9.68%</u>	<u>5.62%</u>	<u>9.48%</u>
\$ 54,604	\$ 80,687	\$ 40,939	\$ 18,825	\$ 30,335	\$ 54,887	\$ 31,866	\$ 53,753
\$ 446,110	\$ 658,848	\$ 334,242	\$ 153,740	\$ 247,821	\$ 448,352	\$ 260,315	\$ 438,835

KINGSLEY HOUSE, INC.

**SCHEDULE OF SUPPORT, REVENUES AND EXPENSES
IN ACCORDANCE WITH UNITED WAY REQUIREMENTS
(Unaudited)
YEAR ENDED JUNE 30, 2004**

**RECONCILIATION OF UNITED WAY SCHEDULE WITH THE
STATEMENT OF SUPPORT, REVENUE AND EXPENSES**

Reconciliation of total revenues is as follows:

Total Revenues, gains and other support per statement of revenue, expenses, and other changes in net assets	\$ 5,344,177
United Way Funding for the year	607,495
United Way Funding for next year	(535,203)
Temporarily restricted grants	<u>(20,678)</u>
	<u>\$ 5,395,791</u>

In accordance with generally accepted accounting principles, (\$124,239) of unrealized depreciation on investments is included in other revenues:

Reconciliation of total expenses is as follows:

Total Expenses per statement of support, revenue and expenses and changes in fund balances	\$ 5,051,051
Depreciation	<u>(331,320)</u>
	<u>\$ 4,719,731</u>

ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES

Management and general expenses were allocated to the programs based on the ratio of direct expenses for the specific program to total program expenses.

PRE-SCHOOL DAY CARE

The Pre-school Day Care Program includes in revenues from grant funds \$1,563 which were used to purchase furniture and equipment for the year ended June 30, 2004.

SCHOOL AGE DAY CARE / YOUTH PROGRAM

The School Age Day Care/Youth Program includes in revenues grant funds in the amount of \$10,444 which were restricted to the purchase of furnishings, equipment and building improvements. These expenditures were capitalized and not included in the expenses on the schedule.

KINGSLEY HOUSE, INC.

**SCHEDULE OF SUPPORT, REVENUES AND EXPENSES
IN ACCORDANCE WITH UNITED WAY REQUIREMENTS
(Unaudited)
YEAR ENDED JUNE 30, 2004**

COMMUNITY AND SUPPORTIVE SERVICE

The Community and Supportive Service includes in revenues grant funds in the amount of \$2,325 which were restricted to the purchase of furnishings, equipment and building improvements. These expenditures were capitalized and not included in the expenses on the schedule.

CHILD PROTECTION PROGRAM

The Child Protection Program includes in revenues grant funds in the amount of \$1,803 which were restricted to the purchase of furnishings, equipment and building improvements. These expenditures were capitalized and not included in the expenses on the schedule.

FAMILY PRESERVATION PROGRAM

The Family Preservation Program includes in revenues grant funds in the amount of \$981 which were restricted to the purchase of furnishings, equipment and building improvements. These expenditures were capitalized and not included in the expenses on the schedule.

KINGSLEY HOUSE, INC.

SCHEDULE OF GOVERNMENTAL GRANTS AND CONTRACTS
YEAR ENDED JUNE 30, 2004

	<i>Total Community Action Pre-School</i>	<i>CACFP Childcare</i>	<i>CACFP After School / Summer Camp</i>	<i>Criminal Justice</i>	<i>Family Service Westbank</i>	<i>New Orleans Council On Aging</i>
REVENUES						
Federal financial assistance and other state and federal revenue	\$ 1,232,333	\$ 117,601	\$ 29,176	\$ 53,376	\$ 38,990	\$ 23,998
EXPENSES						
Compensation and related expenses	\$ 1,008,367	\$ 43,501	\$ 7,256	\$ 7,281	\$ 33,887	\$ 18,663
Professional	20,440	1,753	919	25,108	170	408
Food	25,778	59,529	18,645	2	2	-
Supplies	40,765	6,870	1,715	14,117	320	2,509
Occupancy	86,773	77	370	4,618	672	2,201
Travel	15,936	-	1	-	2,472	-
Specific assistance	22	-	-	1	709	-
Other	24,841	2,208	238	194	2,544	275
Renovations and furnishings	12,993	-	-	323	-	-
TOTAL EXPENSES	\$ 1,235,915	\$ 113,938	\$ 29,144	\$ 51,644	\$ 40,776	\$ 24,056
DIFFERENCE	\$ (3,582)	\$ 3,663	\$ 32	\$ 1,732	\$ (1,786)	\$ (58)

<i>Veterans Administration and Title XIX Adult Day Program</i>	<i>Volunteers of America Summer Eastbank</i>	<i>Volunteers of America Summer Camp & Foster</i>	<i>Volunteers of America Family Preservation Foster</i>	<i>Volunteers of America Summer Westbank</i>	<i>Volunteers of America Saturday Respite</i>	<i>Volunteers of America Family Preservation Eastbank</i>
\$ 611,858	\$ 6,835	\$ 8,166	\$ 31,896	\$ 6,301	\$ 11,555	\$ 32,233
\$ 376,001	\$ 3,760	\$ 2,790	\$ 28,574	\$ 3,760	\$ 3,294	\$ 30,380
30,432	-	-	27	-	-	27
2,337	-	-	2	-	1,896	2
13,676	8	(8)	236	59	1,245	426
19,217	-	-	23	-	-	24
33,969	2,916	5,384	1,509	2,482	4,792	2,058
2,559	-	-	1,208	-	-	2,408
20,883	-	-	2,876	-	357	2,954
560	-	-	-	-	-	-
\$ 499,634	\$ 6,684	\$ 8,166	\$ 34,455	\$ 6,301	\$ 11,584	\$ 38,279
\$ 112,224	\$ 151	\$ -	\$ (2,559)	\$ -	\$ (29)	\$ (6,046)

KINGSLEY HOUSE, INC.

SCHEDULE OF GOVERNMENTAL GRANTS AND CONTRACTS (CONTINUED)
YEAR ENDED JUNE 30, 2004

	<i>CACFP Adult</i>	<i>Total Community Action Early Head Start</i>	<i>Community and Supportive Services</i>	<i>OCS Family Preservation</i>	<i>OADA</i>
REVENUES					
Federal financial assistance and other state and federal revenue	\$ 49,056	\$ 318,461	\$ 438,812	\$ 174,039	\$ 33,348
EXPENSES					
Compensation and related expenses	\$ 23,817	\$ 277,985	\$ 345,150	\$ 89,508	\$ 14,154
Professional	1,143	2,505	5,693	1,647	10,091
Food	25,136	11,050	724	10	-
Supplies	3,093	6,493	6,621	1,349	1,830
Occupancy	572	8,259	294	6,410	3,779
Travel	31	9,380	1,767	7,899	6,900
Specific assistance	-	101	5,342	88	-
Other	681	7,749	27,735	3,851	246
Renovations and furnishings	-	864	139	109	-
TOTAL EXPENSES	\$ 54,473	\$ 324,386	\$ 393,465	\$ 110,871	\$ 37,000
DIFFERENCE	\$ (5,417)	\$ (5,925)	\$ 45,347	\$ 63,168	\$ (3,652)

<u>OCS LaPlace</u>	<u>SADC Youth Vendor payments</u>	<u>OCS Assessment Intervention</u>	<u>OCS Children's Trust Fund</u>	<u>Total All Grants</u>
\$ 85,895	\$ 18,596	\$ 216,269	\$ 4,834	\$ 3,543,628
\$ 72,994	\$ -	\$ 182,240	\$ 3,005	\$ 2,576,367
3,659	-	400	-	104,422
216	-	237	-	145,566
2,965	-	3,088	76	107,453
3,915	-	3,932	134	141,270
1,997	-	5,002	45	104,540
-	-	6,389	-	18,827
4,855	-	13,564	701	116,752
138	-	2,759	-	17,885
\$ 90,739	\$ -	\$ 217,611	\$ 3,961	\$ 3,333,082
\$ (4,844)	\$ 18,596	\$ (1,342)	\$ 873	\$ 210,546

**OMB CIRCULAR A-133 COMPLIANCE AND
GOVERNMENT AUDITING STANDARDS REPORTS**



BERNARD & FRANKS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

JOSEPH V. FRANKS II, C.P.A.

NICHOLAS F. CHETTA, C.P.A.

NICHOLAS W. LAFRANZ III, C.P.A.

JAMES L. WHITE, C.P.A.

**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
Kingsley House, Inc.

We have audited the financial statements of Kingsley House, Inc. (a nonprofit organization) as of and for the year ended June 30, 2004, and have issued our report thereon dated December 22, 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 Kingsley House, Inc.'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 would 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

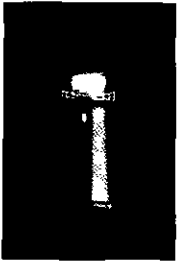
In planning and performing our audit, we considered Kingsley House, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, 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.

Bernard & Franko

Metairie, Louisiana
December 22, 2004



B E R N A R D & F R A N K S

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

JOSEPH V. FRANKS II, C.P.A.

NICHOLAS F. CHETTA, C.P.A.

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JAMES L. WHITE, C.P.A.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Kingsley House, Inc.
New Orleans, Louisiana

Compliance

We have audited the compliance of Kingsley House, Inc. (a nonprofit organization) with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 2004. Kingsley House, 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 Kingsley House, Inc.'s management. Our responsibility is to express an opinion on Kingsley House, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kingsley House, Inc.'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 of Kingsley House, Inc.'s compliance with those requirements.

In our opinion, Kingsley House, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Kingsley House, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Kingsley House, 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 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 solely for the information of the audit committee, management, others within the Organization, and federal awarding agencies and pass-through entities.



Metairie, Louisiana
December 22, 2004

KINGSLEY HOUSE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

<i>Federal Grantor/Pass-Through Grantor / Program Title</i>	<i>Federal CFDA Number</i>	<i>Agency or Pass-Through Number</i>	<i>Federal Expenditures</i>
U.S. Department of Health and Human Services Passed-through Total Community Action, Inc.			
Head Start Act			
Project Head Start	93.600	06CH0473	\$ 1,232,333
Early Head Start	93.600	06YC0521	<u>318,461</u>
			<u>\$ 1,550,794</u>
Passed-through State of Louisiana, Office of Community Service/Social Services			
Block Grant			
Case Assessment	93.667	577352	\$ 216,269
Family Preservation-Orleans/Thibodeaux Assessment Intervention - Family	93.667	4579610	<u>110,871</u>
			<u>\$ 327,140</u>
Resource Center	93.556	587441	<u>85,895</u>
Resource Center - LaPlace	93.590	600402	<u>\$ 3,961</u>
Passed-through Louisiana Department of Health and Hospitals - Office of Drug Block Grants for Prevention and Treatment	93.959	597849	<u>\$ 33,348</u>
Passed-through Family Services of Greater New Orleans			
Family Preservation - Westbank	93.556	587901	<u>\$ 38,990</u>

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

KINGSLEY HOUSE, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004**

<u>Federal Grantor/Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
Passed through Volunteers of America			
For Greater New Orleans:			
Summer Foster	93.556		\$ 8,166
Summer Eastbank	93.556		6,684
Summer Westbank	93.556		6,301
Saturday Respite	93.556		11,555
Family Preservation – Eastbank	93.556		31,896
Family Preservation – Foster & Adopt	93.556		<u>32,233</u>
			<u>\$ 96,835</u>
Total U.S. Department of Health and Human Services			<u>\$ 2,136,963</u>
Department Housing and Urban Development			
Passed-through the Housing Authority of New Orleans			
Demolition and Revitalization of Severely Distressed Housing (HOPEVI)	14.866		
Total Department of Housing and Urban Development			<u>\$ 393,465</u>
U.S. Department of Agriculture			
Passed-through State of Louisiana			
Department of Education			
Child and Adult Food Program - Preschool	10.558	CC93-255	\$ 113,938
Child and Adult Food Program – School Age	10.558	CC93-255	29,144
Child and Adult Food Program – Adult	10.558	CC93-432	<u>49,056</u>
Total U.S. Department of Agriculture			<u>\$ 192,138</u>
Department of Justice			
Passed-through Louisiana Commission of Law Enforcement and Administration of			
Child Abuse Victim Support Group	16.575	C03-9-012	<u>\$ 53,376</u>
Total Department of Justice			<u>\$ 53,376</u>
Total Expenditures of Federal Awards			<u>\$ 2,775,942</u>

See accompanying notes to schedule of expenditures of federal awards.

KINGSLEY HOUSE, INC.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004**

Note A - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note B - Risk-Based Audit Approach

The dollar threshold used to distinguish between Type A and Type B programs is \$500,000. The organization does not qualify as a low-risk auditee.

KINGSLEY HOUSE, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004**

SUMMARY OF THE AUDITORS' RESULTS

- An unqualified opinion was issued on the financial statements of Kingsley House, Inc.
- 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.
- The audit disclosed no instances of noncompliance that were material to the financial Statements of Kingsley House, Inc.
- 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.
- An unqualified opinion was issued on compliance for major programs.
- The audit disclosed no findings which are required to be reported under Section 501(a) of Circular A-133.
- Major programs for the fiscal year ended June 30, 2004 were:
 - 1. Department of Health and Human Services
Head Start Act (CFDA #93.600)
 - 2. Department of Housing and Urban Development -
Community Development Block Grant (CFDA #14.218)
- The dollar threshold used to distinguish between Type A and Type B programs was \$500,000.
- Kingsley House, Inc. was not determined to be a low-risk auditee.

KINGSLEY HOUSE, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS--*continued*
YEAR ENDED JUNE 30, 2004**

SCHEDULE OF FINDINGS RELATED TO THE FINANCIAL STATEMENTS

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

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

STATUS OF PRIOR YEAR AUDIT FINDINGS

There were no instances of non-compliance in the prior year.

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDINGS

No instances of reportable condition were found.