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RUACH, INC.

**FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 1999**

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

Release Date JUL 7 9 2000

RUACH, INC.
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LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants
and Management Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ruach, Inc.

We have audited the accompanying statement of financial position of Ruach, Inc. (a Louisiana nonprofit organization) as of December 31, 1999, and the related statement of activities 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.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 Ruach, Inc. as of December 31, 1999, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2000, on our consideration of Ruach, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Ruach, 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 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.

A handwritten signature in cursive script that reads "Luther C. Speight & Company". The signature is fluid and includes a long horizontal flourish at the end.

Luther C. Speight & Company

New Orleans, LA
June 26, 2000

RUACH, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 1999**

	1999
ASSETS	
Current Assets	
Cash	\$ 56,250
Accounts Receivable	689
Grant Receivable	115,537
Due From Other Programs	<u>164,290</u>
Total Current Assets	336,766
Fixed Assets	
Property and Equipment	75,357
Accumulated Depreciation	<u>(48,303)</u>
Total Fixed Assets (Net)	27,054
Other Assets	
Prepaid Insurance	<u>2,843</u>
TOTAL ASSETS	<u>\$ 366,663</u>
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Due to Other Programs	\$ 164,290
Accrued Salaries	13,841
Payroll Taxes Payable	30,820
Accounts Payable	11,711
Line Of Credit	<u>101,075</u>
Total Current Liabilities	321,737
NET ASSETS	
Net Assets - Restricted (Property)	75,357
Net Assets - Unrestricted	97,568
Current Year Change In Net Assets	<u>(127,999)</u>
Total Net Assets	44,926
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 366,663</u>

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

RUACH, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	1999
REVENUE	
Grant Revenue	\$ 1,249,990
Miscellaneous Income	60,472
Interest Income	956
	<hr/>
Total Revenue	1,311,418
EXPENSES	
PROGRAM SERVICES:	
Target Cities	1,118,720
DA Juvenile	167,809
D-Metro	2,406
	<hr/>
Total Program Services	1,288,935
SUPPORT SERVICES:	
Management and General	150,482
	<hr/>
Total Expenses	1,439,417
	<hr/>
CHANGE IN NET ASSETS	(127,999)
	<hr/>
NET ASSETS, Beginning of Year	158,947
	<hr/>
NET ASSET ADJUSTMENT	13,978
	<hr/>
NET ASSETS, End of Year	\$ 44,926
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements

RUACH, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1999**

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in Net Assets	\$ (127,999)
Adjustments to Reconcile Net Revenues over Expenditures to net Cash Provided by Operating Activities:	
Changes in Operating Assets and Liabilities:	
Depreciation	18,839
Grant Receivable	214,255
Prepaid Insurance	2,024
Due From Other Programs	(78,244)
Payroll Taxes Payable	(2,465)
Due to Other Programs	78,244
Accounts Payable	(6,105)
Accrued Salaries	13,841
LOC-Dryades Bank	<u>(54,767)</u>
Net Increase In Cash From Operating Activities	57,623

CASH FLOWS FROM INVESTING ACTIVITIES:

Property and Equipment Purchases	<u>(14,158)</u>
Net Decrease in Cash From Investing Activities	(14,158)

CASH FLOWS FROM FINANCING ACTIVITIES:

Net Increase in Cash From Financing Activities	<u>0</u>
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NET INCREASE IN CASH 43,465

CASH, BEGINNING OF YEAR 12,785

CASH, END OF YEAR \$ 56,250

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

RUACH, INC.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

General - Ruach, Inc. (the Organization) is a nonprofit corporation which is located at 1515 Poydras St., in New Orleans, Louisiana. The Organization provides management consulting services to several substance abuse treatment centers in the New Orleans area. The program is primarily funded by grants from the Department of Health and Hospitals, Office of Alcohol and Drug Abuse.

Basis of Accounting - The financial statements of the Organization are prepared on the accrual basis of accounting. Accordingly, revenue is recorded when earned and expenses are recorded when incurred.

Property and Equipment - Depreciation is provided over the estimated useful lives, which ranges from 3 to 40 years, of the related assets using primarily the straight-line method.

Income Taxes - The Organization has been determined to be tax exempt under Section 501 (c) of the Internal Revenue Code.

Cash - Cash is comprised of cash on hand and in banks.

Grant Receivable - Management does not consider any of the receivables to be uncollectible at December 31, 1999. Therefore, no allowance for doubtful accounts has been provided for.

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 1999:

	1999
Furniture and Fixtures	\$ 1,422
Equipment	<u>73,935</u>
TOTAL	<u>\$75,357</u>

3. FUND BALANCE ADJUSTMENT

The organizations' 1999 beginning fund balance did not agree with the prior year's audit. Management was unable to identify the difference and accordingly recorded a fund balance adjustment totaling \$13,978.

4. TARGET CITIES' PROJECT

The Target Cities' Project which is Ruach, Inc.'s main source of funding was a five year demonstration program. The program was due to end on September 30, 1998, however the agency was able to operate from a combination of carryover monies from the five fiscal years of the program through December 31, 1999.

5. D.A. JUVENILE DIVERSIONARY PROGRAM

Ruach, Inc. entered into a contractual agreement on February 1, 1999, with the Orleans Parish District Attorney's Office to provide services for diverted juveniles referred by the DA's office. Ruach, Inc. was responsible for establishing a licensed intensive outpatient substance abuse treatment program with funding from this project as provided by the District Attorney in the sum of \$558,477. Payments were made to Ruach, Inc. monthly on a cost reimbursement basis.

SUPPLEMENTARY INFORMATION

RUACH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1999

EXPENSE CATEGORY	PROGRAM SERVICES				TOTAL	SUPPORT SERVICES	TOTAL OPERATING EXPENSES
	Target Cities'	DA Juvenile	D-METRO	PROGRAM SERVICES			
Salaries	\$ 545,304	\$ 66,248		\$ 611,552	\$ 37,396	\$ 648,948	
Group Insurance	51,922	3,100		55,022	773	55,795	
Payroll Taxes	47,576	4,849		52,425	2,510	54,935	
Client Intakes	16,775	0		16,775	0	16,775	
Repair/Maintenance	1,375	100		1,475	114	1,589	
Depreciation Expense	18,839	0		18,839	0	18,839	
Equipment Lease	0	1,632		1,632	0	1,632	
Office Rent	59,762	22,796		82,558	8,568	91,126	
Insurance	5,740	543		6,283	0	6,283	
Convention and Travel	547	1,671	406	2,624	30,470	33,094	
Travel-Local	3,759	5,500		9,259	15	9,274	
Parking Fees	8,790	(140)		8,650	2,955	11,605	
Courier/Delivery	1,538	0		1,538	852	2,390	
Printing and Binding	1,031	613		1,644	1,593	3,237	
Computer Services	554	0		554	0	554	
Consultants	302,322	39,590	2,000	343,912	7,200	351,112	
Accounting & Auditing	9,350	0		9,350	4,500	13,850	
Computer Supplies	570	0		570	326	896	
Office Expense	2,059	12,141		14,200	1,159	15,359	
Postage	286	42		328	198	526	
Information Services	34,963	3,763		38,726	5,800	44,526	
Bonuses	0	0		0	20,000	20,000	
Dues and Memberships	0	0		0	1,061	1,061	
Licenses & Fees	500	878		1,378	40	1,418	
Subscriptions	54	2,670		2,724	435	3,159	
Advertising	891	99		990	373	1,363	
Tax Penalties	2,775	0		2,775	9,355	12,130	
Bank Service Charges	1,158	338		1,496	951	2,447	
Seminars and Meetings	240	0		240	395	635	
Donations	0	0		0	3,200	3,200	
Interest Expense	40	0		40	8,202	8,242	
Miscellaneous	0	1,376		1,376	2,041	3,417	
GRAND TOTAL	\$ 1,118,720	\$ 167,809	\$ 2,406	\$ 1,288,935	\$ 150,482	\$ 1,439,417	

See the Independent Auditor's Report.

SCHEDULE OF FEDERAL AWARDS

RUACH, INC.
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1999

<u>Federal Grantor/ Pass Through Grantor</u>	<u>Federal Contract Number</u>	<u>Expenses</u>
Department of Health and Hospitals/Office of Alcohol and Drug Abuse	ADA-98-HP-522342	\$ 1,118,720



LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants
and Management Consultants

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 of
Ruach, Inc.

We have audited the financial statements of Ruach, Inc. as of and for the year ended December 31, 1999, and have issued our report thereon dated June 26, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Ruach, 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 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as item 99-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ruach, 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention related to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Ruach, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 99-1.

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 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. 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. We believe that item 99-1 as described above is a material weakness.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script, appearing to read "Luther C. Speight & Company".

Luther C. Speight & Company

New Orleans, Louisiana
June 26, 2000



LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants
and Management Consultants

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

To the Board of Directors of
Ruach, Inc.

Compliance

We have audited the compliance of Ruach, Inc. 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 December 31, 1999. Ruach, 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 its' major federal program is the responsibility of Ruach, Inc.'s management. Our responsibility is to express an opinion on Ruach, 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 affect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ruach, 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 on Ruach, Inc.'s compliance with those requirements.

As described in item 99-1 in the accompanying schedule of findings and questioned costs, Ruach, Inc. did not comply with requirements regarding procurement, suspension and debarment that are applicable to its New Orleans Target Cities' Project. Compliance with such requirements is necessary, in our opinion, for Ruach, Inc. to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Ruach, 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 December 31, 1999.

Internal Control Over Compliance

The management of Ruach, 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 Ruach'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.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect ABC Organization's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 99-1.

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 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. Our consideration of the internal control over compliance 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 that item 99-1 described above is a material weakness.

This report is intended for the information of the audit committee, management and federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Luther C. Speight & Company

New Orleans, Louisiana

June 26, 2000

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

RUACH, INC.
Schedule of Findings and Questioned Costs
Year Ended December 31, 1999

Section I - Summary of Auditor's Results

Financial Statements

An unqualified opinion was issued on the financial statements of the auditee.

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Reportable condition(s) identified
not considered to be material weaknesses? yes X no

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? X yes no

Reportable condition(s) identified
not considered to be material weaknesses? yes X no

An qualified opinion was issued on compliance for the major program.

Any audit findings disclosed that are required to be
Reported in accordance with Circular
A-133, Section 510(a)?

 X yes no

The major program for the year ended December 31, 1999 was as follows:

Target Cities' Project ADA – 96-HP-0237

**RUACH, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

**99-1: INADEQUATE SUPPORTING DOCUMENTATION FOR CONTRACTED
SERVICE EXPENDITURES**

QUESTIONED COST: \$ 230,000

CONDITION: During our audit fieldwork we noted expenditures in the amount of \$230,000 to one contractor. We requested supporting documentation associated with these expenditures and there was only a signed contract on file. There were no contract deliverables on file to support that the scope of services was achieved, nor were there any monitoring records on file with the agency regarding this contract.

CRITERIA: The agency should not make payments to contractors until they have been provided documentation of services performed. The agency should also monitor the progress made on the scope of services of all contracts.

EFFECT: We were unable to determine whether or not payment to the contractor was for services performed and/or services defined in the contract.

CAUSE: Expenditures were incurred without following federal rules and regulations as well as the agency's grant agreement.

RECOMMENDATION: These contract service expenditures are considered questioned costs. We recommend that the agency follow all rules and regulations regarding the spending of grant funds prior to incurring expenditures.

RUACH, INC.
UPDATE OF PRIOR YEAR FINDINGS
12/31/99

	<u>Resolved</u>	<u>Unresolved</u>
FINDING #1 Accounting Records Not Available Timely		X
FINDING #2 Inadequate Cash Receipt Procedures	X	
FINDING #3 Consolidated General Ledger Lacks Detail Of Expenses		X
FINDING #4 Related Party Transactions	X	
FINDING #5 Improper Recognition Of Prior Year Audit Adjustments		X

**RUACH, INC.
MANAGEMENT RESPONSE
DECEMBER 31, 1999**

Managements' response to the current year finding 99-1 and update of prior year findings was not available upon completion of this audit report.