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VOLUNTEERS OF AMERICA,
GREATER BATON ROUGE, INC.
HUMAN SERVICES OF GREATER
BATON ROUGE, INC. AND BATON ROUGE
HOUSING DEVELOPMENT CORPORATION

JUNE 30, 2004

BATON ROUGE, LOUISIANA

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 11-10-04

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August 10, 2004

Independent Auditor's Report

Board of Directors

Volunteers of America, Greater Baton Rouge, Inc.,
Human Services of Greater Baton Rouge, Inc.,
and Baton Rouge Housing Development
Corporation
Baton Rouge, Louisiana

We have audited the accompanying Combining Statement of Financial Position of Volunteers of America, Greater Baton Rouge, Inc., Human Services of Greater Baton Rouge, Inc. and Baton Rouge Housing Development Corporation as of June 30, 2004, and the related Combining Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended June 30, 2003 is presented for comparative purposes only and was extracted from the financial statements for that year, on which an unqualified opinion dated August 19, 2003, was expressed.

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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of Volunteers of America, Greater Baton Rouge, Inc., Human Services of Greater Baton Rouge, Inc., and Baton Rouge Housing Development Corporation as of June 30, 2004, and the changes in net assets and 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 August 10, 2004 on our consideration of the Volunteers of America, Greater Baton Rouge, Inc.'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 our audit performed in accordance with Government Auditing Standards and should be used in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Organizations taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*) and the Statement of Activities for Special Programs and National Administrative Fees Calculation Form are presented for purposes of additional analysis and are not a required part of the financial statements of Volunteers of America, Greater Baton Rouge, Inc. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

Hannis T. Bourgeois, LLP

**VOLUNTEERS OF AMERICA, GREATER BATON ROUGE, INC.,
HUMAN SERVICES OF GREATER BATON ROUGE, INC. AND
BATON ROUGE HOUSING DEVELOPMENT CORPORATION**

COMBINING STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 2004 WITH COMPARATIVE TOTALS FOR 2003

	<u>Volunteers of America, Greater Baton Rouge, Inc.</u>	<u>Human Services of Greater Baton Rouge, Inc.</u>
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 90,074	\$ 12,590
Accounts Receivable Less Allowance of \$25,000 in 2004 and 2003	2,071,901	456
Pledges Receivable, Net	192,507	-
Prepaid Expenses	5,753	-
Total Current Assets	2,360,235	13,046
Land, Buildings and Equipment, at Cost Less Accumulated Depreciation of \$1,248,041 and \$1,134,180 for 2004 and 2003	1,719,050	873,718
Baton Rouge Area Foundation, at Fair Value	274,453	-
Other Assets	231,357	400
Total Assets	\$ 4,585,095	\$ 887,164
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 184,833	\$ 161,757
Accrued Expenses	488,066	-
Line of Credit	214,515	-
Other Liabilities	238,747	5,933
Contract Advance	96,038	-
Current Portion of Long-Term Debt	184,016	40,245
Total Current Liabilities	1,406,215	207,935
Long-Term Liabilities:		
Long-Term Debt	351,650	665,140
Net Assets:		
Unrestricted	2,201,236	14,089
Temporarily Restricted	507,480	-
Permanently Restricted	118,514	-
Total Net Assets	2,827,230	14,089
Total Liabilities and Net Assets	\$ 4,585,095	\$ 887,164

The accompanying notes are an integral part of this statement.

Baton Rouge Housing Development Corporation	Eliminations	2004 Combined Totals	2003 Combined Totals
\$ 3,833	\$ -	\$ 106,497	\$ 215,118
-	(196,136)	1,876,221	2,163,876
-	-	192,507	325,151
-	-	5,753	5,300
<u>3,833</u>	<u>(196,136)</u>	<u>2,180,978</u>	<u>2,709,445</u>
-	-	2,592,768	2,302,168
-	-	274,453	231,639
-	-	231,757	227,451
<u>\$ 3,833</u>	<u>\$ (196,136)</u>	<u>\$ 5,279,956</u>	<u>\$ 5,470,703</u>
\$ 34,438	\$ (196,136)	\$ 184,892	\$ 312,251
-	-	488,066	421,883
-	-	214,515	896,487
-	-	244,680	231,943
-	-	96,038	-
-	-	224,261	107,009
<u>34,438</u>	<u>(196,136)</u>	<u>1,452,452</u>	<u>1,969,573</u>
-	-	1,016,790	1,079,657
(30,605)	-	2,184,720	1,667,763
-	-	507,480	640,145
-	-	118,514	113,565
<u>(30,605)</u>	<u>-</u>	<u>2,810,714</u>	<u>2,421,473</u>
<u>\$ 3,833</u>	<u>\$ (196,136)</u>	<u>\$ 5,279,956</u>	<u>\$ 5,470,703</u>

**VOLUNTEERS OF AMERICA, GREATER BATON ROUGE, INC.,
HUMAN SERVICES OF GREATER BATON ROUGE, INC. AND
BATON ROUGE HOUSING DEVELOPMENT CORPORATION**

COMBINING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2004 WITH COMPARATIVE TOTALS FOR 2003

	Volunteers of America, Greater Baton Rouge, Inc.			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues from Operations:				
Public Support Received Directly:				
Contributions	\$ 588,211	\$ 253,975	\$ 4,949	\$ 847,135
Contributions, In-Kind	218,555	-	-	218,555
Public Support Received Indirectly:				
United Way	402,700	-	-	402,700
Volunteers of America Awards and Grants	-	-	-	-
Total Public Support	1,209,466	253,975	4,949	1,468,390
Revenue and Grants from Governmental Agencies	11,737,002	-	-	11,737,002
Other Revenue:				
Program Service Fees	610,077	-	-	610,077
Rental Income	-	-	-	-
Miscellaneous	222,085	-	-	222,085
Total Other Revenue	832,162	-	-	832,162
Net Assets Released from Restrictions	401,846	(401,846)	-	-
Total Revenues from Operations	14,180,476	(147,871)	4,949	14,037,554
Operating Expenses:				
Encouraging Positive Development	2,184,890	-	-	2,184,890
Fostering Independence	7,082,721	-	-	7,082,721
Promoting Self-Sufficiency	2,470,880	-	-	2,470,880
Total Program Services	11,738,491	-	-	11,738,491
Management and General	1,069,783	-	-	1,069,783
Fund Raising	626,149	-	-	626,149
Total Supporting Services	1,695,932	-	-	1,695,932
Administrative Fees Paid to National Organization	264,811	-	-	264,811
Total Operating Expenses	13,699,234	-	-	13,699,234
Excess (Deficit) from Operations	481,242	(147,871)	4,949	338,320
Non-Operating Gains (Losses) and Other Income:				
Interest Income (Net of Expenses of \$4,006)	4,481	3,662	-	8,143
Gain (Loss) on Sale of Asset	52,674	-	-	52,674
Unrealized Gain (Loss) on Investments	24,679	11,544	-	36,223
Excess (Deficit) from Other Activities	81,834	15,206	-	97,040
Change in Net Assets	563,076	(132,665)	4,949	435,360
Net Assets - Beginning of Year	1,638,160	640,145	113,565	2,391,870
Net Assets - End of Year	\$ 2,201,236	\$ 507,480	\$ 118,514	\$ 2,827,230

The accompanying notes are an integral part of this statement.

Human Services of Greater Baton Rouge, Inc.	Baton Rouge Housing Development Corporation		2004 Combined Totals	2003 Combined Totals
Unrestricted	Unrestricted	Eliminations	Totals	Totals
\$ 9,600	\$ 5,000	\$ -	\$ 861,735	\$ 932,114
-	-	-	218,555	132,144
-	-	-	402,700	410,200
-	-	-	-	51,909
9,600	5,000	-	1,482,990	1,526,367
-	-	-	11,737,002	11,285,253
-	-	-	610,077	358,934
174,024	-	-	174,024	172,391
6,966	-	-	229,051	113,861
180,990	-	-	1,013,152	645,186
-	-	-	-	-
190,590	5,000	-	14,233,144	13,456,806
-	-	-	2,184,890	1,852,727
-	-	-	7,082,721	7,073,132
204,204	4,610	-	2,679,694	2,382,436
204,204	4,610	-	11,947,305	11,308,295
32,916	-	-	1,102,699	1,080,523
-	-	-	626,149	447,430
32,916	-	-	1,728,848	1,527,953
-	-	-	264,811	260,766
237,120	4,610	-	13,940,964	13,097,014
(46,530)	390	-	292,180	359,792
21	-	-	8,164	6,766
-	-	-	52,674	(3,313)
-	-	-	36,223	(10,035)
21	-	-	97,061	(6,582)
(46,509)	390	-	389,241	353,210
60,598	(30,995)	-	2,421,473	2,068,263
\$ 14,089	\$ (30,605)	\$ -	\$ 2,810,714	\$ 2,421,473

**VOLUNTEERS OF AMERICA, GREATER BATON ROUGE, INC.,
HUMAN SERVICES OF GREATER BATON ROUGE, INC. AND
BATON ROUGE HOUSING DEVELOPMENT CORPORATION**

COMBINING STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2004 WITH COMPARATIVE TOTALS FOR 2003

	Volunteers of America, Greater Baton Rouge, Inc.					
	Program Services				Supporting Services	
	Encouraging Positive Development	Fostering Independence	Promoting Self- Sufficiency	Total	Management and General	Fund Raising
Salaries	\$ 952,332	\$ 4,373,430	\$ 1,162,426	\$ 6,488,188	\$ 580,453	\$121,268
Pension	23,680	89,476	30,805	143,961	26,438	5,964
Employee Benefits	76,973	291,133	92,763	460,869	26,573	6,808
Payroll taxes	68,629	314,180	83,755	466,564	32,171	6,038
Legal Fees	20	92	10	122	394	3,473
Accounting Fees	-	-	-	-	18,500	-
Other Professional Fees	457,733	362,622	60,350	880,705	135,407	265,389
Supplies and Expenses	122,425	174,760	98,909	396,094	40,801	4,478
Telecommunications	39,970	106,431	37,874	184,275	26,693	4,489
Postage	16,425	18,536	2,250	37,211	7,083	12,811
Occupancy Expenses	79,890	274,642	133,259	487,791	66,747	10,320
Interest	11,630	22,591	4,621	38,842	22,211	-
Insurance	16,933	82,484	41,012	140,429	26,440	-
Equipment Rental and Maintenance	17,478	57,951	9,566	84,995	7,390	845
Printing and Publications	24,098	11,788	2,824	38,710	9,865	15,190
Travel and Transportation	50,423	196,893	51,413	298,729	11,783	147
Conferences and Meetings	19,718	38,508	6,565	64,791	20,685	6,270
Specific Assistance to Individuals	118,835	582,711	608,033	1,309,579	376	113,582
Other	36,213	26,210	14,979	77,402	351	44,511
Depreciation and Amortization	51,485	58,283	29,466	139,234	9,422	4,566
Total Functional Expenses	\$ 2,184,890	\$ 7,082,721	\$ 2,470,880	\$11,738,491	\$ 1,069,783	\$626,149

Administrative Fee Paid To National Organization

Total Expenses

The accompanying notes are an integral part of this statement.

Total	2004 Total Program and Supporting Services Expenses	Human Services of Greater Baton Rouge, Inc.		Total Program and Supporting Services Expenses	Baton Rouge Housing Development Corporation	2004 Combined Total	2003 Combined Total
		Program Services	Support Services		Program Services		
		Promoting Self- Sufficiency	Management and General		Promoting Self- Sufficiency		
\$ 701,721	\$ 7,189,909	\$ -	\$ 14,426	\$ 14,426	\$ -	\$ 7,204,335	\$ 6,585,794
32,402	176,363	-	79	79	-	176,442	157,320
33,381	494,250	-	85	85	-	494,335	425,365
38,209	504,773	-	1,104	1,104	-	505,877	456,733
3,867	3,989	782	-	782	-	4,771	2,414
18,500	18,500	-	1,850	1,850	-	20,350	21,800
400,796	1,281,501	-	-	-	-	1,281,501	1,208,734
45,279	441,373	-	92	92	-	441,465	540,681
31,182	215,457	1,402	-	1,402	-	216,859	214,694
19,894	57,105	-	-	-	-	57,105	42,030
77,067	564,858	85,127	15,280	100,407	4,610	669,875	610,804
22,211	61,053	10,886	-	10,886	-	71,939	88,312
26,440	166,869	36,915	-	36,915	-	203,784	166,262
8,235	93,230	9,889	-	9,889	-	103,119	94,877
25,055	63,765	-	-	-	-	63,765	77,187
11,930	310,659	-	-	-	-	310,659	287,205
26,955	91,746	-	-	-	-	91,746	89,756
113,958	1,423,537	-	-	-	-	1,423,537	1,394,118
44,862	122,264	2,058	-	2,058	-	124,322	178,134
13,988	153,222	57,145	-	57,145	-	210,367	194,028
<u>\$ 1,695,932</u>	<u>\$ 13,434,423</u>	<u>\$ 204,204</u>	<u>\$ 32,916</u>	<u>\$ 237,120</u>	<u>\$ 4,610</u>	<u>\$ 13,676,153</u>	<u>\$ 12,836,248</u>
	<u>264,811</u>					<u>264,811</u>	<u>260,766</u>
	<u>\$13,699,234</u>					<u>\$ 13,940,964</u>	<u>\$ 13,097,014</u>

**VOLUNTEERS OF AMERICA, GREATER BATON ROUGE, INC.,
HUMAN SERVICES OF GREATER BATON ROUGE, INC. AND
BATON ROUGE HOUSING DEVELOPMENT CORPORATION**
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004
WITH COMPARATIVE TOTALS FOR 2003

	<u>Volunteers of America, Greater Baton Rouge, Inc.</u>	<u>Human Services of Greater Baton Rouge, Inc.</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 435,360	\$ (46,509)
Adjustments to Reconcile Change in Net Cash Provided by Operating Activities:		
Depreciation	153,222	57,145
Net Unrealized (Gain) Loss on Long-Term Investment	(36,223)	-
(Gain) Loss on Sale of Asset	(52,674)	-
Provision for Bad Debts	48,090	-
Changes in Current Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	201,989	2,761
(Increase) Decrease in Pledges Receivable	132,644	-
(Increase) Decrease in Other Assets	(4,306)	-
(Increase) Decrease in Land and Buildings Held for Resale	-	-
(Increase) Decrease in Prepaid Expense	(453)	-
Increase (Decrease) in Accounts Payable	(125,686)	30,134
Increase (Decrease) in Other Liabilities/Contract Advances	110,037	(1,264)
Increase (Decrease) in Accrued Expenses	66,185	-
Net Cash Provided by Operating Activities	928,185	42,267
Cash Flows From Investing Activities:		
Purchases of Fixed Assets	(500,995)	(24,400)
Proceeds From Sale of Fixed Assets	77,100	-
Purchases of Investments	(6,590)	-
Net Cash Used in Investing Activities	(430,485)	(24,400)
Cash Flows from Financing Activities:		
Proceeds from Issuance of Long-Term Debt	371,653	-
Repayment of Notes Payable	(281,441)	(35,828)
Net Draws (Repayments) on Line of Credit	(681,972)	-
Increase (Decrease) in Excess Outstanding Checks Over Bank Balance	-	-
Net Cash Used In Financing Activities	(591,760)	(35,828)
Net Increase (Decrease) in Cash and Cash Equivalents	(94,060)	(17,961)
Cash and Cash Equivalents - Beginning of Year	184,134	30,551
Cash and Cash Equivalents - End of Year	\$ 90,074	\$ 12,590
Supplemental Disclosure of Cash Flow Information:		
Cash Payments for Interest	\$ 63,229	\$ 11,047

The accompanying notes are an integral part of this statement.

Baton Rouge Housing Development Corporation	Eliminations	2004 Combined Totals	2003 Combined Totals
\$ 390	\$ -	\$ 389,241	\$ 353,210
-	-	210,367	194,028
-	-	(36,223)	10,035
-	-	(52,674)	(1,850)
-	-	48,090	43,220
-	34,815	239,565	(427,027)
-	-	132,644	91,259
-	-	(4,306)	(74,456)
-	-	-	41,174
-	-	(453)	1,466
3,010	(34,815)	(127,357)	69,804
-	-	108,773	11,302
-	-	66,185	70,491
<u>3,400</u>	<u>-</u>	<u>973,852</u>	<u>382,656</u>
-	-	(525,395)	(163,506)
-	-	77,100	1,850
-	-	(6,590)	(5,561)
<u>-</u>	<u>-</u>	<u>(454,885)</u>	<u>(167,217)</u>
-	-	371,653	284,729
-	-	(317,269)	(633,049)
-	-	(681,972)	298,181
<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,617)</u>
<u>-</u>	<u>-</u>	<u>(627,588)</u>	<u>(84,756)</u>
3,400	-	(108,621)	130,683
433	-	215,118	84,435
<u>\$ 3,833</u>	<u>\$ -</u>	<u>\$ 106,497</u>	<u>\$ 215,118</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,276</u>	<u>\$ 88,727</u>

**VOLUNTEERS OF AMERICA, GREATER BATON ROUGE, INC.,
HUMAN SERVICES OF GREATER BATON ROUGE, INC. AND
BATON ROUGE HOUSING DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Note 1 - Summary of Significant Accounting Policies -

Organization

Volunteers of America, Greater Baton Rouge, Inc. ('the Organization') is a nonprofit spiritually based human services organization, recognized as a church, incorporated in the State of Louisiana that provides social services within the Greater Baton Rouge and Southwest Louisiana areas under a charter from Volunteers of America, Inc., a national nonprofit spiritually based organization providing local human service programs, and opportunities for individual and community involvement. Human Services of Greater Baton Rouge, Inc. ('the Organization') is a nonprofit organization incorporated in the State of Louisiana which operates as a property holding corporation for Volunteers of America, Greater Baton Rouge, Inc. Effective July 1, 1997 the operations of the Baton Rouge Housing Development Corporation were transferred over to Volunteers of America, Greater Baton Rouge, Inc. Baton Rouge Housing Development Corporation ('the Organization') is a nonprofit organization incorporated in the State of Louisiana which operates as a property holding corporation of low income single family dwellings held for resale to qualified individuals.

Following is a list of the Impact Area and the program services provided in each:

Encouraging Positive Development

Within the impact area of encouraging positive development, Volunteers of America, Greater Baton Rouge, Inc. provides services to promote healthy development of children, adolescents and their families through a continuum of services from early prevention to intensive intervention approaches.

Fostering Independence

Through programs designed to provide care where needed, while supporting independence to the degree possible, Volunteers of America, Greater Baton Rouge, Inc. offers services to the elderly, and to those with disabilities, mental illness and HIV/AIDS.

Promoting Self-sufficiency

Volunteers of America, Greater Baton Rouge, Inc., works to promote the self-sufficiency of those who have experienced homelessness, or other personal crisis and involvement with the corrections system.

Operations

The Organizations define operations as all program and supporting service activities undertaken as described above. Revenues that result from these activities, and their related expenses, are reported as operations. Gains, losses and other revenue that results from ancillary activities, such as investing liquid assets and disposing of fixed or other assets, are reported as non-operating.

Principles of Combination

The financial statements include the accounts of Volunteers of America, Greater Baton Rouge, Inc. and the related organizations, Human Services of Greater Baton Rouge, Inc. and Baton Rouge Housing Development Corporation and have been combined in accordance with Statement of Position 94-3, *Reporting of Related Entities by Not-for-Profit Organizations*.

Basis of Accounting

The Organizations prepare their financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board on its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organizations are required to report information regarding their financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable.

Certain balances for the prior year have been reclassified to conform to the current year's financial statement presentation.

Property and Equipment

Land, buildings and equipment purchased by the Organizations are recorded at cost. The Organizations follow the practice of capitalizing all expenditures for land, buildings and equipment in excess of \$500; the fair value of donated fixed assets is similarly capitalized. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets.

The Organizations expense purchases of property bought with funds from cost reimbursement grants from various State and Federal agencies. Special provisions contained in the State contracts specify that ownership of all property purchased shall revert back to the grantor after a specified term or under certain conditions pursuant to the contractual agreement.

Land and Buildings Held for Resale

Land and Buildings of Baton Rouge Housing Development Corporation are held for resale. These assets are valued at cost which approximates market. During the year ended June 30, 2003, all remaining held for sale properties were sold.

Cash Equivalents

The Organizations consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, unless held for reinvestment as part of the investment portfolio, pledged to secure loan agreements or otherwise encumbered.

Investments

Investments in all debt and equity securities with readily determinable fair values are reported at their fair value. All other investments are reported at historical cost, if purchased, or, if contributed, at fair value at the date of contribution.

Contributions

Contributions are generally recorded only upon receipt, unless evidence or an unconditional promise to give has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value for the amounts expected to be collected. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Volunteers of America, Greater Baton Rouge, Inc. uses the allowance method to determine uncollectible promises for unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Net Assets

The Organizations classify assets into three categories: unrestricted, temporarily restricted and permanently restricted. All net assets are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Temporarily restricted net assets include contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted and are reported in the statement of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. Permanently restricted net assets include contributions with donor-imposed restrictions requiring resources to be maintained in perpetuity, but permitting use of all or part of the investment income earned on the contributions.

Contributed Services

The Organizations recognize contribution revenue for certain services received at the fair value of those services provided those services create or enhance nonfinancial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the year ended June 30, 2004 and 2003, the value of contributed services meeting the requirements for recognition in the financial statements was recorded in the amount of \$-0- and \$7,144, respectively.

Allocation of Expenses

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the various functions.

Summary Financial Information for 2003

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organizations' financial statements for the year ended June 30, 2003, from which the summarized information was derived.

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. Accordingly, actual results could differ from those estimates.

Federal Income Taxes

Volunteers of America, Greater Baton Rouge, Inc., Human Services of Greater Baton Rouge, Inc., and Baton Rouge Housing Development Corporation are exempt from federal income taxes as subordinate units of Volunteers of America, Inc. Volunteers of America, Inc. is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as a religious organization described in Section 501(c)(3). There were no unrelated business activities for the year ended June 30, 2004. Accordingly, no tax expense was incurred during the year ended June 30, 2004.

Note 2 - Related Parties -

Volunteers of America, Greater Baton Rouge, Inc. is affiliated with Volunteers of America, Inc. which provides administrative services to the Organization for a fee. Administrative fees for the fiscal year ended June 30, 2004 totaled \$264,811. The Organization owes Volunteers of America, Inc. fees of \$47,808 at June 30, 2004, which is included in accounts payable as reflected in these financial statements.

Human Services of Greater Baton Rouge, Inc. has recorded land, buildings, and leasehold improvements of the America Street, Balis Street, Harry Drive, Brownlee Street, Garfield, MidCity and River Oaks properties in its financial statements. At June 30, 2004, Human Services of Greater Baton Rouge, Inc. owed Volunteers of America, Greater Baton Rouge, Inc. \$161,698. This amount has been eliminated in these combining financial statements.

Baton Rouge Housing Development Corporation acts as a property holding corporation of low income single family dwellings held for resale. At June 30, 2004 Baton Rouge Housing Development Corporation owes Volunteers of America, Greater Baton Rouge, Inc. \$34,438. This amount has been eliminated in these combining financial statements.

Furthermore, Volunteers of America, Greater Baton Rouge, Inc. acts as a management agent for various U.S. Department of Housing and Urban Development (HUD) housing complexes and a local non-profit agency. The following is a listing of those entities with amounts due to Volunteers of America, Greater Baton Rouge, Inc. as of June 30, 2004:

Baton Rouge VOA Living Centers, Inc.	\$ 30,482
Baton Rouge Residential Center, Inc.	1,487
Lake Charles Living Center, Inc.	15
Welsh Elderly Housing, Inc.	45,938
Elton VOA Living Center, Inc.	13,247
Dorcas Manor, Inc.	878
Dumas House Corporation	<u>19,204</u>
	<u>\$ 111,251</u>

The amounts listed above are included in accounts receivable as reflected in these financial statements.

Note 3 - Notes Payable -

Notes Payable of Volunteers of America, Greater Baton Rouge, Inc. are detailed as follows:

	<u>Due Within One Year</u>	<u>Due After One Year</u>
Note dated May 12, 1986 with an original balance of \$145,000 payable in monthly installments of \$1,448 during the first twelve month period. Interest fluctuates annually based on the weekly average yield on U. S. Treasury Securities. The current rate is 5.0%. The maximum aggregate amount of increase or decrease in the interest rate payable during the term of the loan shall not be greater than 5½%; also, the increase or decrease in any given year shall not be greater than 2½%. This note matures June 1, 2006 and is collateralized by property at 827 America St. held by Human Services of Greater Baton Rouge, Inc.	\$ 13,592	\$ 13,707
Note dated September 1, 1992 (refinanced April 2, 2001 with an additional \$70,000 for Leasehold Improvements) with an original principal balance of \$122,500 payable in 120 monthly installments of \$1,787 which includes interest at a rate of 9%. The note is collateralized by land and building on Drusilla Lane.	12,113	97,035
Note dated July 11, 2003 with an original principal balance of \$300,000 payable on demand, or if no demand is made, in one installment due July 2004. This note bears a variable interest rate based on the Wall Street Journal prime rate plus 1% (current rate 5%) and interest is paid monthly. The note is collateralized by land and building on Carolyn Sue Drive.	110,000	-
Note dated March 31, 2003 with an original principal balance of \$180,000 payable in 180 monthly installments of \$1,523 which includes a variable interest rate based on the U.S. Dollar Swap Rate plus 2.79% (current rate of 5.95%). The note is collateralized by land and building on Wooddale Boulevard.	8,214	162,005

(CONTINUED)

	<u>Due Within One Year</u>	<u>Due After One Year</u>
Note dated April 7, 2004 with an original principal balance of \$38,340 payable in 60 monthly installments of \$752 which includes interest at a rate of 6.5%. The note is collateralized by a 2004 Chevrolet Bus.	6,772	30,503
Note dated December 16, 2002 with an original principal balance of \$25,177 payable in 48 monthly installments of \$588 which includes interest at a rate of 5.7%. The note is collateralized by a 2003 Dodge van.	6,282	10,070
Note dated June 13, 2001 with an original principal balance of \$46,261 payable in 60 monthly installments of \$927 which includes interest at a rate of 7.395%. The note is collateralized by a 2001 Chevrolet Bus.	9,918	10,605
Note dated June 14, 2002 with an original principal balance of \$18,132 payable on demand, or if no demand is made, in 60 monthly installments of \$383 which includes interest at a rate of 9.6%. The note is collateralized by a 2001 Dodge Van.	3,593	8,256
Note dated February 25, 2004 with an original principal balance of \$11,752 payable on demand, or if no demand is made in 36 monthly installments of \$362 which includes interest at a rate of 6.5%. This note is collateralized by a 2003 Chevrolet Van.	3,733	7,154
Note dated August 14, 2001 with an original principal balance of \$46,281 payable on demand, or if no demand is made, in 60 monthly installments of \$927 which includes interest at a rate of 7.4%. The note is collateralized by a 2002 Chevrolet Bus.	<u>9,799</u>	<u>12,315</u>
	<u>\$ 184,016</u>	<u>\$ 351,650</u>

Notes Payable of Human Services of Greater Baton Rouge, Inc. are detailed as follows:

	<u>Due Within One Year</u>	<u>Due After One Year</u>
Note dated May 26, 1992 with the City of Baton Rouge-Parish of East Baton Rouge with an original principal balance of \$96,000 and a 0% interest rate. This is a deferred payment loan for which no payments are due for the first ten years of the loan. During the second 10 year period, 1/10th of the loan will be permanently forgiven each year that the building continues to be used for transitional housing or other related purposes. The note is collateralized by land and building on Brownlee Street.	\$ 9,600	\$ 67,200
Note dated May 23, 1994 with the City of Baton Rouge-Parish of East Baton Rouge with an original principal balance of \$88,000 and a 0% interest rate. Loan term is 240 months beginning with the first payment due on or by April 1, 1995. Semi-annual payments are due on October 1, and April 1, thereafter. The note is collateralized by land and building on Balis Street.	4,400	41,800

(CONTINUED)

	<u>Due Within One Year</u>	<u>Due After One Year</u>
Note dated December 29, 1994 with the City of Baton Rouge-Parish of East Baton Rouge with an original principal balance of \$198,646 and a 0% interest rate. Loan term is 240 months beginning with the first payment due on or by January 1, 2004. The note is collateralized by land and building on Harry Drive.	9,932	182,879
Note dated March 31, 2003 with Hibernia National Bank with an original principal balance of \$192,000 payable in 180 monthly installments of \$1,624 which includes a variable interest rate based on the U.S. Dollar Swap Rate plus 2.79% (current rate is 5.95%). The note is collateralized by land and building on River Road.	8,762	172,958
Note dated October 10, 2000 with the City of Baton Rouge - Parish of East Baton Rouge with an original principal balance of \$233,024 and a 0% interest rate. Loan term is 240 months with the first payment due on or by April 1, 2001. The note is collateralized by land and building on Garfield Street.	<u>7,551</u>	<u>200,303</u>
	<u>\$ 40,245</u>	<u>\$ 665,140</u>

There were no notes payable outstanding for Baton Rouge Housing Development Corporation as of June 30, 2004.

Note obligation maturities in years ended June 30, are as follows:

	<u>Volunteers Of America, Greater Baton Rouge, Inc.</u>	<u>Human Services Of Greater Baton Rouge, Inc.</u>
2006	\$ 78,675	\$ 40,788
2007	44,118	41,365
2008	33,899	41,953
2009	34,882	42,627
Thereafter	<u>160,076</u>	<u>498,407</u>
	<u>\$ 351,650</u>	<u>\$ 665,140</u>

Interest expense for the year ended June 30, 2004 amounted to \$61,053 for Volunteers of America, Greater Baton Rouge, Inc., \$10,886 for Human Services of Greater Baton Rouge, Inc., and \$-0- for Baton Rouge Housing Development Corporation.

Note 4 - Line of Credit -

Volunteers of America, Greater Baton Rouge, Inc. has a revolving line of credit with Hibernia National Bank with a stated maximum of \$1,100,000 which expires on February 10, 2005. The line of credit bears a variable interest rate based on the Wall Street Journal Prime Rate plus 1% (current rate 5.0%) and is secured by Accounts Receivable. As of June 30, 2004 the line of credit had an outstanding balance of \$214,515.

Note 5 - Minimum Lease Commitments -

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2004:

Year Ending June 30,	Volunteers of America Greater Baton Rouge, Inc.
2005	\$ 137,300
2006	68,300
2007	41,000
2008	6,600
2009	<u>1,650</u>
	<u>\$ 254,850</u>

Total rental expenses for the year ended June 30, 2004 for all operating leases was \$308,075 for Volunteers of America, Greater Baton Rouge, Inc., \$-0- for Human Services of Greater Baton Rouge, Inc., and \$-0- for Baton Rouge Housing Development Corporation.

Note 6 - Unconditional Promises to Give -

The Organization began the "Capital Campaign" and "Cherish the Children" fund-raising campaigns during the prior year and continued these campaigns in the current year. Both of the campaigns are to benefit the Children Crisis Center Programs (Parker House).

In addition, the Organization also has the "Family Fund" fundraising campaign whereby interest earnings can be used for various programs as stipulated by the donors.

The Organization also started the Partners In Caring Campaign in the current year whereby pledges received under this campaign are unrestricted.

Unconditional promises to give are as follows:

	Volunteers of America Greater Baton Rouge, Inc.
Receivables Due in Less Than One Year	\$ 212,103
Receivables Due in One to Five Years	<u>243,154</u>
Total Unconditional Promises to Give	455,257
Less: Allowance for Uncollectable Amounts	(49,497)
Less: Discount to Present Value	<u>(26,670)</u>
Net Unconditional Promises to Give at June 30, 2004	<u>\$ 379,090</u>

The long-term portion of the pledges receivables are included in Other Assets on the Statement of Financial Position.

Note 7 - Restrictions on Net Assets -

Temporarily restricted net assets are available for the following purposes:

	<u>Volunteers of America Greater Baton Rouge, Inc.</u>
Capital Outlay	\$ 159,679
Program Services	19,058
Local Churches	8,316
Cherish the Children	318,731
VOA Awards and Development Grant	<u>1,696</u>
	<u>\$ 507,480</u>

Permanently restricted net assets consist of the following:

Family Fund Endowment	<u>\$ 118,514</u>
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Note 8 - Net Assets Released from Restrictions -

Net assets released from donor restrictions for incurring expenses satisfying the restricted purpose are as follows:

	<u>Volunteers of America, Greater Baton Rouge, Inc.</u>
Capital Outlay	\$ 210,216
Local Churches	70,569
Cherish the Children	118,349
VOA Awards and Development Grant	<u>2,712</u>
	<u>\$ 401,846</u>

Note 9 - Investments -

In accordance with SFAS No. 124 '*Accounting for Certain Investments held by Not-For-Profit Organizations*', investments are stated at market value. At June 30, 2004, investments have a market value of \$274,453 and a cumulative unrealized gain of \$49,606 since adoption of SFAS No. 124. The net increase in the unrealized gains at June 30, 2004 as compared to June 30, 2003 of \$36,223 and interest income of \$6,590 earned on this investment in the current year are reflected in the Statement of Activities. There were no investments held by Human Services of Greater Baton Rouge, Inc. and Baton Rouge Housing Development Corporation as of June 30, 2004.

Note 10 - Accrued Annual Leave -

Volunteers of America, Greater Baton Rouge, Inc. has recorded an estimated liability for accrued leave of an amount based on the total hours of leave accumulated at June 30, 2004, times the employees' hourly rate at June 30, 2004. Employees accrue hours based upon their length of service. No more than one hundred forty-four hours of leave can be carried over from one year to another. Accrued leave in the amount of \$220,315 is included in the accrued expenses account on the Statement of Financial Position.

Note 11 - Pension Plan - Mutual of America for Ministers -

Volunteers of America, Greater Baton Rouge, Inc. participates in a noncontributory defined benefit pension and retirement plan. The plan is administered through a commercial insurance company and covers all commissioned ministers. Pension plan expense was \$25,961 for the year ended June 30, 2004.

Because the plan is a multi-employer plan, the accumulated benefits and net assets available for benefits as they relate solely to Volunteers of America, Greater Baton Rouge, Inc. are not readily available.

Note 12 - Thrift Plan -

Volunteers of America, Greater Baton Rouge, Inc. established a Section 403(b) Thrift Plan effective January 1, 1992. The plan covers all employees with a minimum of one year of service. The Organization will contribute 3.25% of all participants' compensation and will match an amount equal to 50% of the basic employee contributions made by each participant limited to 1% of their wages. Employees will be 100% vested in the employer contribution upon completion of five years of service. The expense for the year ended June 30, 2004 was \$150,402.

Note 13 - Concentration of Credit Risk -

Included in receivables are amounts due for program services provided to various agencies of the State of Louisiana and grant funds due from federal and state agencies. Allowances are provided for amounts estimated by management as uncollectible.

The Organizations maintain cash accounts with commercial banks which are insured by the Federal Deposit Insurance Corporation up to \$100,000. Periodically, cash may exceed the federally insured amount.

Note 14 - Subsequent Event -Merger Agreement with Baton Rouge Youth, Inc.

The Organization had previously entered into a management agreement with Baton Rouge Youth, Inc. effective January 2002. Based upon that agreement, Baton Rouge Youth, Inc. remained a separate operating entity with a separate board of directors. At the approval of both entities' board of directors, effective July 1, 2004, the Organization and Baton Rouge Youth, Inc. entered into a joint merger agreement. Pursuant to this agreement the previous management agreement was terminated and both entities merged into one entity with the Organization being the surviving entity. All assets, liabilities, and operations of Baton Rouge Youth, Inc. were then transferred to the Organization. Furthermore, separate existence of Baton Rouge Youth, Inc. ceased on the effective date of the merger agreement.

SUPPLEMENTARY INFORMATION

**VOLUNTEERS OF AMERICA,
GREATER BATON ROUGE, INC.**

STATEMENT OF ACTIVITIES FOR SPECIAL PROGRAMS*

FOR THE YEAR ENDED JUNE 30, 2004

Revenues from Operations:	
Public Support	\$ 253,403
Government Grants and Fees	582,160
United Way Allocation	402,700
Other	<u>871</u>
Total Revenues from Operations	1,239,134
Operating Expenses:	
Salaries	544,729
Employee Benefits	57,937
Payroll Taxes	39,392
Professional Fees	99,832
Supplies and Office Expenses	97,616
Administrative Expenses	106,244
Occupancy	66,271
Insurance	1,108
Interest	23,709
Equipment Rental and Maintenance	8,740
Printing and Publications	2,226
Travel	18,414
Client Cash Subsidy	41,858
Depreciation	<u>43,613</u>
Total Operating Expenses	<u>1,151,689</u>
Change in Net Assets	<u><u>\$ 87,445</u></u>

* Includes all programs of Volunteers of America, Greater Baton Rouge, Inc. which received Capital Area United Way Funding.

**VOLUNTEERS OF AMERICA,
GREATER BATON ROUGE, INC.**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2004

<u>Federal Grantor/ Pass - Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenses</u>
<u>U.S. Department of Housing and Urban Development</u>		
Direct Program		
Rural Supportive Housing Program	N/A	\$ 398,734
Passed Through City Parish		
Emergency Shelter Grants Program	14.231	46,643
Supportive Housing Program	N/A	242,208
Passed Through Emergency Food and Shelter National Board Program		
Emergency Food and Shelter Program	N/A	6,711
Passed Through Louisiana Department of Health and Hospitals, Office of Mental Health		
PATH	N/A	<u>122,095</u>
Total U.S. Department of Housing and Urban Development		816,391
<u>U.S. Department of Veterans Affairs</u>		
V.A. Homeless Grant	64.024	<u>76,484</u>
Total U.S. Department of Veterans Affairs		76,484
<u>U.S. Department of Health and Human Services</u>		
Passed Through Louisiana Department of Social Services, Office of Community Services		
Family Based Services Reunification	93.667	140,631

(CONTINUED)

<u>Federal Grantor/ Pass - Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenses</u>
Family Based Services, Family Resource Center	93.656	178,458
Passed Through Louisiana Department of Social Services, Office of Family Support		
TANF - Homeless Assistance	93.558	590,979
Child Care and Development	93.575	116,265
Passed Through Louisiana Department of Health and Hospitals, Office of Mental Health		
PACT	93.992	114,999
Passed Through HIV/AIDS Alliance for Region Two, Inc.		
HIV Prevention	93.940	100,502
HIV Emergency Relief	93.914	<u>949,778</u>
Total U.S. Department of Health and Human Services		<u>2,191,612</u>
Total Federal Assistance		<u><u>\$ 3,084,487</u></u>

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON THE INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

VOLUNTEERS OF AMERICA, GREATER BATON ROUGE, INC.

NATIONAL ADMINISTRATIVE FEES
CALCULATION FORM

FOR THE YEAR ENDED JUNE 30, 2004

1. Total accrual revenue from audited financial statement		\$ 14,330,205
1a. Plus: Pledges Receivable, June 30, 2003		270,824
1b. Less: Pledges Receivable, June 30, 2004		<u>(356,647)</u>
		14,244,382
2. Less: Allowable Exclusions		
	<u>Amount</u>	
Explanation of each exclusion:		
A. Duplicated revenues	\$ 534,332	
B. In-kind revenues	218,555	
C. Capital contributions/grants	300	
D. Encumbered Financing	-	
E. Acquired 501(c)(3)	-	
F. Custodial or Third Party Financing	148,660	
G. Donor Restricted Contributions	4,924	
H. Investment Earnings/Net Capital Gains	97,061	
I. Phase out of Prior Exclusions	<u>-</u>	
3. Total Allowable Exclusions		<u>(1,003,832)</u>
4. Adjusted Revenue		\$ 13,240,550
Calculate Affiliate Fees:		
5. Enter Line 4 x 2.0% up to a Maximum of \$25,000,000. If Line 4 <\$25,000,000 Enter Amount Calculated on Line 7.		\$ 264,811
6. If Line 4 < \$25,000,000, go to Line 7, or else Calculate Fee Based on 1998 Sliding Scale. Multiply this Amount by 1.20 and Enter in Line 6. Enter Lesser of Line 5 or Line 6 in Line 7.		<u>-</u>
7. Affiliate Fees		264,811
8. Amount due to national office as of June 30, 2003		75,042
9. Total cash payments to national office for fiscal year June 30, 2004		<u>292,045</u>
10. Amount due to national office as of June 30, 2004		\$ <u>47,808</u>



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August 10, 2004

Board of Directors
Volunteers of America, Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Volunteers of America, Greater Baton Rouge, Inc. as of and for the year ended June 30, 2004, and have issued our report thereon dated August 10, 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 Volunteers of America, Greater Baton Rouge, 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 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 Volunteers of America, Greater Baton Rouge, 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 for the Board of Directors, management, the Office of the Louisiana Legislative Auditor and any cognizant agency and is not intended to be and should not be used by anyone other than these specified parties. However, under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the legislative auditor as a public document and its distribution is not limited.

Respectfully submitted,

Hanniss T. Bourgeois, LLP

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



Hannis T. Bourgeois, LLP

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August 10, 2004

Board of Directors
Volunteers of America, Greater Baton
Rouge, Inc.
Baton Rouge, Louisiana

Compliance

We have audited the compliance of Volunteers of America, Greater Baton Rouge, 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 June 30, 2004. Volunteers of America, Greater Baton Rouge, 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 programs are the responsibility of Volunteers of America, Greater Baton Rouge, Inc.'s management. Our responsibility is to express an opinion on Volunteers of America, Greater Baton Rouge, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-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 Volunteers of America, Greater Baton Rouge, 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 Volunteers of America, Greater Baton Rouge, Inc.'s compliance with those requirements.

In our opinion, Volunteers of America, Greater Baton Rouge, 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 Volunteers of America, Greater Baton Rouge, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Volunteers of America, Greater Baton Rouge, 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 for the Board of Directors, management, the Office of the Louisiana Legislative Auditor and any cognizant agency, and is not intended to be and should not be used by anyone other than these specified parties. However, under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the legislative auditor as a public document and its distribution is not limited.

Respectfully submitted,

Hannia T. Bourgeois, LLP

VOLUNTEERS OF AMERICA, GREATER BATON ROUGE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2004

As required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, the following is a summary of the results of our audit:

- * Type of report issued on financial statements - unqualified.
- * Type of report issued on compliance for major programs - unqualified.
- * The results of audit procedures disclosed no material noncompliance in the major program.
- * The results of audit procedures disclosed no questioned costs.
- * Our audit disclosed no findings which are required to be reported under Section 510(a).
- * The following program was determined to be a Type A major program:

CFDA Number

U.S. Department of Health and Human Services Passed Through
HIV/AIDS Alliance for Region Two, Inc.

HIV Emergency Relief

93.914

- * The dollar threshold used to distinguish between Type A and Type B programs was \$300,000 as specified under Section 520(b).
- * Volunteers of America, Greater Baton Rouge, Inc. qualified as a low risk auditee under Section 530.