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GATEHOUSE FOUNDATION, INC.
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORTS

June 30, 2004

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

Release Date 12-15-04

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INDEPENDENT AUDITORS' REPORT

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To the Board of Directors
Gatehouse Foundation, Inc.
Lafayette, Louisiana

We have audited the accompanying statement of financial position of Gatehouse Foundation, Inc. (Gatehouse) (a not-for-profit corporation) as of June 30, 2004, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Gatehouse's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. 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 and the provisions of the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position on Gatehouse as of June 30, 2004, and the changes in net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Gatehouse taken as a whole. The accompanying Schedule of Federal Awards for the year ended June 30, 2004 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in this schedule has been subjected to the 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 8, 2004, on our consideration of Gatehouse's internal control over financial reporting and our test of compliance with certain provisions of laws, regulations, contracts, and grants.


Louis R. Rolfes II, CPA
Lafayette, Louisiana
October 8, 2004

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Gatehouse Foundation, Inc.
Lafayette, Louisiana

We have audited the financial statements of Gatehouse Foundation, Inc. (Gatehouse) (a not-for-profit corporation) as of and for the year ended June 30, 2004, and have issued our report thereon dated October 8, 2004. We conducted our audit in accordance with U.S. 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 and the provisions of the Louisiana Governmental Audit Guide.

COMPLIANCE As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Gatehouse's 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 Gatehouse'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 information of the Gatehouse Foundation Board of Directors, management, the Louisiana Department of Health and Hospitals, Office for Addictive Disorders as licensing agency for Gatehouse, the local Board of United Way of Acadiana, and the Community Development Department of Lafayette Consolidated Government. However, this report is a matter of public record, and its distribution is not limited.



Louis R. Rolfes II, CPA
Lafayette, Louisiana
October 8, 2004

GATEHOUSE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2004

ASSETS

CURRENT ASSETS

Cash	\$ 514	
Prepaid expenses	4,315	
Grants/contracts receivable (Notes A & C)	<u>22,825</u>	
Total Current Assets		\$ 27,654

PROPERTY AND EQUIPMENT - AT COST

(Note A)		
Land	87,000	
Building	42,575	
Furniture and fixtures	34,622	
Equipment	39,264	
Building renovations	<u>35,306</u>	
	238,767	
Less: accumulated depreciation	<u>(121,731)</u>	
Net Property and Equipment		117,036

OTHER ASSETS

Deposits		<u>2,101</u>
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TOTAL ASSETS		\$ <u>146,791</u>
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The accompanying notes are an integral
part of this statement.

GATEHOUSE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION

June 30, 2004

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	11,856
Accrued payroll taxes	878
Current portion of debt (Note B)	5,904
United Way payable	439
Contract advance	<u>1,067</u>

Total Current Liabilities \$ 20,144

LONG-TERM LIABILITIES

Long-term debt, net of current portion (Note B)	<u>35,635</u>
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Total Liabilities 55,779

NET ASSETS (Note A)

Unrestricted		
Operating	607	
Plant	<u>75,497</u>	76,104
Temporarily restricted		<u>14,908</u>

Total net assets 91,012

TOTAL LIABILITIES AND
NET ASSETS

\$ 146,791

The accompanying notes are an integral
part of this statement.

GATEHOUSE FOUNDATION, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue:			
Revenue from State contract (Notes A, C, G)	\$ -	\$127,350	\$ 127,350
United Way of Acadiana (Notes A & C)	14,100	-	14,100
Lafayette Consolidated Government (Note C)	-	29,500	29,500
Client rents (Note D)	14,928	-	14,928
Fundraising/donations	897	-	897
Miscellaneous	<u>3,212</u>	<u>-</u>	<u>3,212</u>
Total public support and revenue	33,137	156,850	189,987
In-Kind: (Notes E & F)			
Dietician services	1,040	-	1,040
Counseling services	21,937	-	21,937
Donated items – fundraisers	1,500	-	1,500
Donated equipment/furniture	2,520	-	2,520
Donated food/supplies	<u>2,005</u>	<u>-</u>	<u>2,005</u>
Total donated services	<u>29,002</u>	<u>-</u>	<u>29,002</u>
Total support and revenue	62,139	156,850	218,989
Expenses:			
Program services:			
Dietary & medical	19,201	-	19,201
Physical plant	27,147	-	27,147
Supervision	<u>126,523</u>	<u>-</u>	<u>126,523</u>
Total program services	172,871	-	172,871
Supporting services:			
Management and general	60,205	-	60,205
Fundraising	<u>2,440</u>	<u>-</u>	<u>2,440</u>
Total supporting services	<u>62,645</u>	<u>-</u>	<u>62,645</u>
Total expenses	235,516	-	235,516
Net assets released from restrictions	<u>151,327</u>	<u>(151,327)</u>	<u>-</u>
Change in net assets	(22,050)	5,523	(16,527)
Net assets, beginning of year	<u>98,154</u>	<u>9,385</u>	<u>107,539</u>
Net assets, end of year	\$ <u>76,104</u>	\$ <u>14,908</u>	\$ <u>91,012</u>

The accompanying notes are an integral
part of this statement.

GATEHOUSE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2004

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Bank charges	-	777	777
Benefit functions	7	-	7
Client programs/assistance	1,654	-	1,654
Contract labor, including donated	33,936	-	33,936
Depreciation (Note A)	9,576	-	9,576
Dietary contract, including donated	2,000	-	2,000
Employee screen	-	949	949
Food	17,189	-	17,189
Fundraising expense	-	2,440	2,440
Insurance - general	15,227	2,019	17,246
Insurance - medical	-	-	-
Interest	-	2,848	2,848
Legal, accounting & auditing	-	10,000	10,000
Medical contract	13	-	13
Miscellaneous	-	55	55
Office supplies	-	1,969	1,969
Payroll taxes	5,780	2,478	8,258
Permits and licenses	-	900	900
Postage	-	242	242
Repairs and maintenance	2,040	-	2,040
Salaries	69,530	29,798	99,328
Supplies	-	2,365	2,365
Telephone	-	5,805	5,805
Training - in service	75	-	75
Travel	314	-	314
Utilities	<u>15,530</u>	<u>-</u>	<u>15,530</u>
	<u>\$ 172,871</u>	<u>\$ 62,645</u>	<u>\$ 235,516</u>

The accompanying notes are an integral
part of this statement.

GATEHOUSE FOUNDATION, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets – (decrease)		(\$ 16,530)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	\$ 9,576	
(Increase) in prepaid expenses/advances	(2,349)	
(Increase) in grants/contracts receivable	(5,125)	
(Decrease) in accounts payable	(2,242)	
Increase in United Way payable	87	
(Decrease) in accrued payroll taxes/expenses	<u>(1,976)</u>	
Total adjustments		<u>(2,029)</u>
Net cash (used) by operating activities		(18,559)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	<u>(14,641)</u>	
Net cash (used) by investing activities		(14,641)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on line of credit debt	45,118	
Payment on line of credit debt	<u>(12,061)</u>	
Net cash provided by financing activities		<u>33,057</u>
Net decrease in cash		(143)
Cash at June 30, 2003		<u>657</u>
Cash at June 30, 2004		\$ <u>514</u>

Supplemental disclosure:

Interest paid amounted to \$2,848

The accompanying notes are an integral part of this statement.

GATEHOUSE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note A - Nature of Activities and Summary of Significant Accounting Policies

Nature of activities

Gatehouse Foundation, Inc. operates a private, non-profit, residential (fifteen beds), educational and rehabilitation program for persons recovering from alcoholism and other chemical dependencies. The halfway house facility provides extended care to chemically dependent males and females in a supervised living environment. The purpose of the program is to assist the resident in developing a healthy transition back into the community via counseling and therapeutic support. As provider, Gatehouse must allow a sliding fee scale policy, and must not refuse services to persons on account of race, religion, sex or ability to pay. The primary source of funding for this program is a contract with the State of Louisiana, Department of Health and Hospitals, Office of Human Services, Division of Alcohol and Drug Abuse, through a Federal Block Grant. Gatehouse is licensed by the Louisiana Department of Health and Hospitals. Under this license, Gatehouse agrees to provide room and board, individual and group counseling and peer support in a structured therapeutic environment.

Financial Statement Presentation

Effective for fiscal year ended June 30, 1996, Gatehouse began the application of the new accounting standards as prescribed by SFAS 117, Financial Statements of Not-for-Profit Organizations. Under SFAS 117, Gatehouse is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, Gatehouse is required to present a statement of cash flows. As permitted by this new statement, Gatehouse has altered its use of fund accounting (for reporting purposes) and has, accordingly, reclassified its financial statements to present the three classes of net assets required.

Gatehouse has only unrestricted and temporarily restricted classes. The reclassification had no effect on the change in net assets for the fiscal year ended June 30, 2004.

Continued

Contributions

Effective for fiscal year ended June 30, 1996, Gatehouse began the application of the new accounting standards as prescribed by SFAS 116, **Accounting for Contributions Received and Contributions Made**. In accordance with SFAS 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Under SFAS 116, such contributions are now required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration or expenditures of the funds. In effect, the recognition of this as support occurs at the receipt of the award, regardless of when the money is spent.

Deferred Revenue – Grants and Exchange Transactions

Some grants are actually “exchange transactions” that do not qualify as contributions under SFAS 116. In such cases, revenue is not recognized until the services required by the grant are rendered. Until the revenue is recognized, any cash or grant receivable asset must be offset by a “deferred or unearned revenue” liability. These exchange transactions differ from contributions in that the method or type of services rendered is stipulated by the granting authority and not by the nonprofit organization.

Estimates

The preparation of financial statements in conformity with U.S. 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.

Compensated absences / Postemployment benefits

Under SFAS 43 and 112, an employer generally is required to accrue a liability for employees' rights to receive compensation for future absences and postemployment benefits. The amount of the compensation is not reasonably estimable and, therefore, no such liability has been accrued. However, any unrecorded amounts at June 30, 2004 would be immaterial.

Functional expenses

Expenses are charged to one of three program services based on direct expenditures incurred. Any expenditures not directly chargeable are allocated to the respective programs based on related salary expenses, time sheets, or other appropriate method that is reasonable and measurable. The statement of functional expenses lists both program service expenses and management expenses by natural classifications.

Income tax status

The organization qualifies as a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes.

Property and equipment

Property and equipment purchased is recorded at cost; the fair market value of donated assets is similarly capitalized and the donation recorded as restricted or unrestricted support. Depreciation is computed on the straight-line method over the estimated useful lives of the individual assets, ranging from five to twenty years.

Grants and contract revenue

Grants and contract revenue received that are of a cost reimbursement nature are recognized as revenue at the time the cost is incurred for the purpose for which the revenue was billed. Unreceived amounts from previously awarded grants are recorded as grants receivable. Unrestricted grants, such as United Way, are recognized as revenue when awarded.

Accrual Basis of Accounting

The books are routinely maintained on a cash basis and are converted to the accrual basis at year-end for these financial statements. Accrual basis accounting records revenue when earned rather than when received and records expenses when incurred rather than when paid, in accordance with U.S. generally accepted accounting principles.

Cash Equivalents

For purposes of the statement of cash flows, Gatehouse considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Note B - Note Payable - Iberia Bank

The Board of Directors approved a \$50,000 line of credit from Iberia Bank in January, 1995, for renovations of the women's house. The original loan was paid in full. A \$10,000 draw was made in December 2002. The balance of \$7,835.74 was paid off in October 2003 with a second mortgage in the amount of \$33,922 along with a \$10,000 line of credit, both with Midsouth Bank, which were approved by the Board of Directors for house repairs at the August 2003 meeting. On June 30, 2004, the balance on the second mortgage was \$31,756 and the balance on the line of credit was \$9,783.

Continued

Scheduled payments under current obligations:

Year Ended June 30,

2005	\$ 5,904
2006	6,209
2007	6,443
2008	6,691
2009 and thereafter	<u>16,292</u>
Total	\$41,539

Note C - Federal, State and Local Financial Assistance and Grant Awards

<u>Grantor/Program Title</u>	<u>Amount Earned Y/E June 30, 2004</u>
State of Louisiana, Department of Health and Hospitals, Office for Addictive Disorders (through a Federal Block Grant) CFDA #93.959	\$127,625
Consolidated Government of Lafayette ESG Grant (2 grants)	<u>17,500</u>
Total governmental funding	<u>\$145,125</u>
United Way of Acadiana	<u>\$ 14,100</u>

The aforementioned contract with the State of Louisiana is operated on a per diem reimbursement basis. The 2003-2004 contract was renewed for 2004-2005 for a maximum reimbursement of \$127,750, effective July 1, 2004. This represents a per diem of \$25 for 14 beds.

The aforementioned grants from the United Way of Acadiana and the Consolidated Government can be used for operational expenses.

The following is a breakdown of Grants/Contracts Receivable:

State Contract	\$10,500
Lafayette Consolidated Gov.	5,475
United Way Grant	<u>6,850</u>
Total Grants/Contracts Receivable	<u>\$22,825</u>

Note D - Client Rent

The organization, as part of their recovery program for the residents as well as a source of income, charges and collects rent on a weekly, sliding scale basis. Rental revenue of \$14,928 reflected in the financial statements is recorded on the cash basis. Because rent is collected and recorded weekly, any adjustment to the accrual basis is deemed immaterial.

Continued

Note E - Donated Materials, Food, & Supplies

Donated materials, food, and supplies are reflected as In-kind Donations in the accompanying statements at their fair market value. For the year ended June 30, 2004, food donations were valued at \$1,460, and office, bathroom, and kitchen supplies were valued at \$325.

Note F - Contributed Services (In-Kind)

Effective for the fiscal year ended June 30, 1996, Gatehouse began the application of the new accounting standards as prescribed by SFAS 116 and 117. Accordingly, contributed services of volunteers shall only be recognized in the statement of activities if the services received:

- a) Create or enhance non-financial assets (land, buildings, etc.); or,
- b) Require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations.

Dietician services totaling \$1,040, counseling services totaling \$21,937, and repair services totaling \$220 contributed during the year are reflected in the accompanying financial statements.

Note G - Concentrations

Approximately 67% of Gatehouse's cash support was provided by revenue from the state contract with the Louisiana Department of Health & Hospitals (OAD). The new contract for 2004-2005 has been approved for \$128,100 (14 beds), and the DHH license has been renewed.

Note H - Subsequent Events

Subsequent to the balance sheet date, the state authorized a contract for \$127,750. This represents a per diem rate of \$25 for 14 beds authorized. The actual amount realized from the contract will be determined by occupancy during the contract year. Additionally, the Lafayette Consolidated Government has awarded \$14,000 in HUD/ESG funds for the July 1, 2004 – June 30, 2005 program year. This is a decrease of \$15,500.

Concluded

GATEHOUSE FOUNDATION, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED 06-30-04

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Award</u>	<u>Federal Disbursements</u>
U.S. Department of H.U.D./ Emergency Shelter Grants(2) (A)	14.231	\$ 29,500	\$ 29,500
U.S. Department of Health & Human Services (B)	93.959	<u>\$128,100</u>	<u>\$127,350</u>
Total		<u>\$157,600</u>	<u>\$156,850</u>

(A) Through Lafayette Consolidated Government

(B) Through Louisiana Department of Health and Hospitals, Office of Addictive Disorders. This is a State contract paid on a per diem basis of \$25 per day per bed, 14 bed maximum.