

**NOVICE HOUSE, INC.**  
**MONROE, LOUISIANA**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
WITH SUPPLEMENTAL INFORMATION  
As of And for The Year Ended 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.

**BY**

Release Date 2-9-05

**ROSIE D. HARPER  
CERTIFIED PUBLIC ACCOUNTANT, LLP**

**141 DESIARD STREET, SUITE 325  
OFFICE 318-387-8008**

**MONROE, LOUISIANA 71201  
FAX 318-387-0806**

**NOVICE HOUSE, INC.**  
**MONROE, LOUISIANA**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
WITH SUPPLEMENTAL INFORMATION  
As of And for The Year Ended June 30, 2004**

**NOVICE HOUSE, INC.**  
**Monroe, Louisiana**  
**Financial Statements**  
**and Independent Auditor's Report**  
**with Supplemental Information**  
**As of and for the Year Ended June 30, 2004**

**CONTENTS**

|  | <u>STATEMENTS</u> | <u>PAGE NO.</u> |
|--|-------------------|-----------------|
| Independent Auditor's Report   |                   | 1-2             |
| Financial Statements   |                   |                 |
| Statement of Financial Position  | A                 | 4               |
| Statement of Activities  | B                 | 5               |
| <i>Statement of Cash Flows</i>   | C                 | 6               |
| Statement of Functional Expenses   | D                 | 7               |
| Notes to the Financial Statements  |                   | 8-12            |
| Independent Auditor's Report on Compliance and on Internal Control Over<br>Financial Reporting Based on an Audit of Financial Statements<br>Performed in Accordance with Government Auditing Standards |                   | 13-14           |
| Supplemental Information:  |                   |                 |
| Schedule of Fund Descriptions  |                   | 16              |
| Schedule of Assets, Liabilities, and Net Assets  |                   | 17              |
| Schedule of Support, Revenue, Expenses, and Changes In Net Assets  |                   | 18              |
| Schedule of Cash Flows   |                   | 19              |
| Schedule of Expenses   |                   | 20              |
| Schedule of Activities-Budget to Actual (DOC)  |                   | 21              |
| Schedule of Activities-Budget to Actual (LACAP Fund)   |                   | 22              |
| Schedule of Activities-Budget to Actual (Church Based Tutorial)  |                   | 23              |
| Schedule of Activities Budget to Actual (Other State Revenue Fund)   |                   | 24              |
| Schedule of Findings   |                   | 25-27           |



## Independent Auditor's Report

To the Board of Directors of  
Novice House, Inc.  
Monroe, Louisiana

I have audited the accompanying statement of financial position of Novice House, Inc. as of June 30, 2004, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Novice House, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

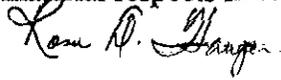
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Novice House, Inc. as of June 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 1, 2004 on my consideration of Novice House, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

## **Independent Auditor's Report (Continued)**

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information and schedules are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Rosie D. Harper  
Certified Public Accountant

Monroe, Louisiana  
December 1, 2004

## **FINANCIAL STATEMENTS**

NOVICE HOUSE, INCORPORATED  
Statement of Financial Position  
June 30, 2004

**Assets**

|                                 |                      |
|---------------------------------|----------------------|
| Cash and Cash Equivalents       | \$ 3,376             |
| Grants and Contracts Receivable | 12,370               |
| Food Inventory                  | 700                  |
| Property, Furniture, Equipment  | <u>43,251</u>        |
| Total Assets                    | <u><u>59,697</u></u> |

**Liabilities and Net Assets****Liabilities:**

|                     |               |
|---------------------|---------------|
| Accrued Liabilities | <u>78,431</u> |
| Total Liabilities   | <u>78,431</u> |

**Net Assets:**

|                                  |                         |
|----------------------------------|-------------------------|
| <b>Unrestricted:</b>             |                         |
| Operating                        | (61,985)                |
| Investment in Fixed assets       | <u>43,251</u>           |
| Total Unrestricted               | <u>(18,734)</u>         |
| <br>                             |                         |
| <b>Temporarily Restricted:</b>   |                         |
|                                  | <u>-</u>                |
| Total Net Assets                 | <u>(18,734)</u>         |
| Total Liabilities and Net Assets | <u><u>\$ 59,697</u></u> |

See Accompanying Auditor's Report and Notes to Financial Statements.

NOVICE HOUSE, INCORPORATED  
**Statement of Activities**  
 For the Year Ended  
 June 30, 2004

**UNRESTRICTED NET ASSETS**

|                            |               |
|----------------------------|---------------|
| Fees                       | \$ 27,564     |
| Contributions              | <u>566</u>    |
| Total Other Support        | <u>28,130</u> |
| <br>                       |               |
| TOTAL UNRESTRICTED SUPPORT | <u>28,130</u> |

**Net Assets Released from Restrictions**

|   |                |
|---|----------------|
| Restrictions Satisfied by Payments              | <u>279,346</u> |
| TOTAL UNRESTRICTED SUPPORT AND RECLASSIFICATION | <u>307,476</u> |

**Expenses**

|                                     |                |
|-------------------------------------|----------------|
| General and Administrative Expenses | 148,519        |
| Program Expense                     | <u>166,663</u> |
| Total Expenses                      | <u>315,182</u> |
| Change in Unrestricted Net Assets   | <u>(7,706)</u> |

**TEMPORARILY RESTRICTED NET ASSETS**

|   |                    |
|---|--------------------|
| Grants and Contracts                        |                    |
| State                                       | 275,946            |
| Net Assets Released from Restrictions       |                    |
| Restrictions Satisfied by Payments          | <u>(279,346)</u>   |
| Change in Temporarily Restricted Net Assets | <u>(3,400)</u>     |
| <br>  |                    |
| Change in Net Assets                        | (11,106)           |
| <br>  |                    |
| Net Assets as of Beginning of Year          | (6,386)            |
| <br>  |                    |
| Other Changes in Net Assets                 |                    |
| Prior Period Adjustment                     | <u>(1,242)</u>     |
| Total Other Changes in Net Assets           | <u>(1,242)</u>     |
| <br>  |                    |
| Net Assets as of End of Year                | <u>\$ (18,734)</u> |

See Accompanying Auditor's Report and Notes to Financial Statements.

NOVICE HOUSE, INCORPORATED  
Statement of Cash Flows  
For the Year Ended  
June 30, 2004

| <b>Operating Activities</b>  | <u>All Funds</u> |
|--|------------------|
| Change in Net Assets   | \$ (11,106)      |
| Adjustments to Reconcile Change in Net Assets to Net<br>Cash Provided by Operating Activities: |                  |
| Decrease in Grants and Contracts Receivable  | 12,903           |
| Decrease in Accounts Payable/Accrued Liabilities   | <u>(15,521)</u>  |
| Total Adjustments  | <u>(2,618)</u>   |
| Net Cash Provided by Operating Activities  | <u>(13,724)</u>  |
| Cash and Cash Equivalents as of Beginning of Year  | <u>17,100</u>    |
| Cash and Cash Equivalents as of the End of Year  | <u>\$ 3,376</u>  |
| Supplemental Information:  |                  |
| Interest Paid  | <u>\$ 2,373</u>  |

See Accompanying Auditor's Report and Notes to Financial Statements.

NOVICE HOUSE, INCORPORATED  
Statement of Functional Expenses  
For the Year Ended  
June 30, 2004

|   | <u>General<br/>and<br/>Administrative</u> | <u>Program<br/>Services</u> | <u>Total<br/>Expenses</u> |
|---|---|-----------------------------|---------------------------|
| <b>Personnel Costs</b>                  |   |                             |                           |
| <i>Salaries and Wages</i>               | \$ 74,759                                 | \$ 142,976                  | \$ 217,735                |
| Payroll Taxes and Other Fringe Benefits | 4,132                                     | 8,975                       | 13,107                    |
| <b>Total Personnel Costs</b>            | <u>78,891</u>                             | <u>151,951</u>              | <u>230,842</u>            |
| <br><b>Other Expenses</b>               |   |                             |                           |
| Food Supplies                           | -   | 10,090                      | 10,090                    |
| Operating Services                      | 67,286                                    | 306                         | 67,592                    |
| Operating Supplies                      | 453                                       | 2,535                       | 2,988                     |
| Professional Services                   | -   | -                           | -                         |
| Professional Services                   | 1,889                                     | 1,781                       | 3,670                     |
| <b>Total Other Expenses</b>             | <u>69,628</u>                             | <u>14,712</u>               | <u>84,340</u>             |
| <br><b>Total Functional Expenses</b>    | <u>\$ 148,519</u>                         | <u>\$ 166,663</u>           | <u>\$ 315,182</u>         |

See Accompanying Auditor's Report and Notes to Financial Statement.

**Novice House, Incorporated  
Monroe, Louisiana**

**Notes to the Financial Statements  
As of and for the Year Ended June 30, 2004**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

The Novice House, Incorporated is a private non-profit organization domiciled in the State of Louisiana at Monroe, Louisiana. The Organization is recognized as a tax-exempt (non-profit) organization under section 501 (c) (3) of the Internal Revenue Service Code. The primary objective of the Organization is to provide shelter care for pre-adjudicated juveniles. A Board of Directors that consisted of twelve (12) members governed the Organization. The Board Members receive no compensation.

**Basis of Accounting**

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

**Basis of Presentation**

For the period ending June 30, 2004, the Organization followed the provisions of Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*. Statement No. 117 requires the Organization to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. Statement No. 117 establishes standards for general-purpose external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities, and a statement of cash flows.

**Revenue Recognition**

In order to comply with restrictions, which donors place on grants and other gifts as well as designations made by its governing board, the principles of reporting net assets are used. Revenue and public support consists mainly of federal, state and private grants, fundraising, and contributions. Grants and other contributions of cash and other assets are reported as permanently restricted or temporarily restricted if they are received with donor restrictions or restrictions designated by the governing board. Contributions are considered to be unrestricted unless restricted by the donor. All assets over which the Board of Directors has discretionary control have been included in the General Fund.

**Novice House, Incorporated**  
**Notes to the Financial Statements (Continued)**

**Estimates**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Budget Practices**

The Organization prepared program budgets for the DOC, LACAP, Church Based Tutorial, and Other State Revenue funds that are approved by the Board of Directors. Based on the board-approved budgets, "budgeted and actual" comparative statements are presented as supplemental information for the DOC, Urban, Youth At Risk and Church Based Tutorial funds. Since budgets are not required or prepared for the General Fund, a comparative statement was not presented for the General fund.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents. Under state law, the agency may deposit funds in demand accounts, interest bearing accounts, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

**Property, Furniture, and Equipment**

The Organization records donations of property, furniture and equipment as support at their fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Assets purchased by the Organization are recorded at costs.

No depreciation is recorded on assets because all acquisitions of property, furniture and equipment are expensed in the year of acquisition as capital outlay. The value of the assets are reflected on the statement of financial position at cost as Property, Furniture and Equipment under assets, and an equal amount is reflected as Investment in Fixed Assets under net assets.

**Novice House, Incorporated**  
**Notes to the Financial Statements (Continued)**

**Compensated Absences**

Compensated absences are absences for which employees will be paid, such as vacation and or sick leave. The Organization has a formal policy for accumulation and vesting of vacation and sick leave, which is based on the length of service. Employees become eligible for one day of sick leave for each month's work until a maximum is reached. Days of sick leave used shall be deducted from the total earned. Sick leave may be accumulated to a maximum of thirty (30) working days (depending on the number of years an employee has been employed at the shelter). Days of vacation are accrued at one (1) day a month up to a maximum of ten (10) days. The maximum days of vacation for each employee is also determined by the their length of service. Vacation days must be taken within the fiscal year earned and cannot be carried into a subsequent year. In lieu of overtime pay, hourly employees may take time off (comp time) equal to the number of overtime hours worked or receive regular pay. For salaried employees, only comp time is available equal to the number of overtime hours worked. A liability for compensated absences is not reflected in the financial statements because the amounts are considered immaterial for the purposes of this report.

**NOTE B. CASH AND CASH EQUIVALENTS**

For the period ending June 30, 2004, the Organization had the following cash and no cash equivalents:

|                        |                 |
|------------------------|-----------------|
| Unrestricted           |                 |
| Checking               | \$ 2,912        |
| Temporarily Restricted |                 |
| Checking               | <u>464</u>      |
| Total Checking         | <u>\$ 3,376</u> |

**NOTE C. GRANTS AND CONTRACTS RECEIVABLE**

For the period ending June 30, 2004, the Organization had the following grants and contracts receivables:

|   |                  |
|---|------------------|
| Louisiana Office of Community Services    | \$ 8,828         |
| State of Louisiana Departmet of Education |                  |
| Church Based Tutorial Program             | <u>3,542</u>     |
| Total Grants and Contracts Receivable     | <u>\$ 12,370</u> |

**Novice House, Incorporated**  
**Notes to the Financial Statements (Continued)**

**NOTE D. PROPERTY, PLANT, AND EQUIPMENT**

A summary of changes in property, plant and equipment for the year ended June 30, 2004 is as follows:

| <u>Beginning<br/>of Period</u> | <u>Additions</u> | <u>Deletions</u> | <u>Adjustments</u> | <u>End of<br/>Period</u> |
|--------------------------------|------------------|------------------|--------------------|--------------------------|
| 43,251                         | -                | -                | -                  | 43,251                   |

**NOTE E. ACCRUED LIABILITIES**

For the period ending June 30, 2004, the Organization had the following accrued liabilities:

|                     |                  |
|---------------------|------------------|
| Accounts Payable    | \$ 45,614        |
| Payroll Liabilities | 9,432            |
| Credit Line Payable | <u>23,385</u>    |
| Total Liabilities   | <u>\$ 78,431</u> |

*The credit line payable is an unsecured liability with Bank One that had an outstanding balance of \$13,974 at June 30, 2004 at an interest rate of 6.5% and with Iberia Bank that had a outstanding balance of \$9,411 at June 30, 2004 at an interest rate of 15%.*

**NOTE F. LEASES**

For the year ended June 30, 2004, the Organization had two operating leases, \$500 per month for the administrative building located at 800 Standifer Street and \$1,500 per month for the shelter building located at 806 Standifer Street.

**NOTE G. PENSION PLAN**

The Organization does not cover its employee under a pension plan. All employees of the Organization are members of the Social Security System. In addition to the employee's contribution of 7.65%, the Organization contributes an equal amount to the Social Security System. During the period ending June 30, 2004, the Organization paid \$12,742 into the Social Security System.

**NOTE H. FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and activities have been summarized on a functional basis on the statement of activities. Accordingly, certain costs have been allocated among the programs supporting services benefited.

**Novice House, Incorporated**  
**Notes to the Financial Statements (Continued)**

**NOTE 1. RELATED PARTY TRANSACTIONS**

The Organization is a party to a \$500 (five hundred dollars) per month lease agreement with Lone Wa Missionary Baptist Church for property located at 800 Standifer Street. The executive director of the Organization is also the pastor of Lone Wa Missionary Baptist Church.



**ROSIE D. HARPER**  
Certified Public Accountant LLP

141 DeSiard Street, Suite 325  
Monroe, Louisiana 71201

Office 318-387-8008  
FAX 318-387-0806

**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  
Novice House, Inc.  
Monroe, Louisiana

I have audited the financial statements of Novice House, Inc. for the year ended June 30, 2004, and have issued my report thereon dated December 1, 2004. I conducted my 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 Novice House, Inc.'s financial statements are free of material misstatement, I 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, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item *Finding 04-02 and Finding 04-03*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Novice House, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Novice House, Inc.'s ability to record, process, summarize, and report financial

**Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards (Continued)**

data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item *Finding 04-01*.

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 relations 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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. However, I believe the reportable condition described above and referenced as item *Finding 04-01* is a material weakness.

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



Rosie D. Harper  
Certified Public Accountant

Monroe, Louisiana  
December 1, 2004

## **SUPPLEMENTAL INFORMATION**

## **SCHEDULE OF FUND DESCRIPTIONS**

### **General Fund**

All assets over which the Board of Directors has discretionary control have been included in the general fund.

### **DOC Fund**

The DOC Fund is used to account for proceeds from The State of Louisiana Department of Public Safety for providing a regional shelter to preadjudicated juveniles.

### **LACAP Fund**

The LACAP Fund is used to account for a sub-grant from Louisiana Center Against Poverty, non-profit organization, for providing regional shelter to pre-adjudicated juveniles. The funds for the sub-grant are from the State of Louisiana's Governor's Office of Urban Affairs and Development.

### **Church-Based Tutorial Fund**

The Church-Based Tutorial Fund is used to account for grant proceeds from The State of Louisiana Department of Education for providing summer-enrichment and instructional camp in basic academic skills and providing after-school tutorial services.

### **School Lunch Fund**

The School Lunch Fund is used to account for grant proceeds for the State of Louisiana Department of Education for providing a nutritionally adequate food service program to eligible participants.

### **Other State Revenue Fund**

The Other State Revenue Fund is used to account for state appropriated funds to be used to provide administrative and support service to prevent the closing of the shelter facility so needed in Region 8.

**NOVICE HOUSE, INCORPORATED**  
**Schedule of Assets, Liabilities, and Net Assets**  
**June 30, 2004**

| Assets                                  | Temporarily Restricted |                  |             |                            |                   |                          | Total All Funds  |
|---|------------------------|------------------|-------------|----------------------------|-------------------|--------------------------|------------------|
|   | Unrestricted           | DOC Fund         | LACAP Fund  | Church Based Tutorial Fund | School Lunch Fund | Other State Revenue Fund |                  |
| Cash and Cash Equivalents               | \$ 2,912               | \$ -             | \$ -        | \$ 464                     | \$ -              | \$ -                     | \$ 3,376         |
| Grants and Contracts Receivable         | 8,828                  | -                | -           | 3,542                      | -                 | -                        | 12,370           |
| Due from Other Funds                    | 4,006                  | -                | -           | -                          | -                 | -                        | 4,006            |
| Food Inventory                          | 700                    | -                | -           | -                          | -                 | -                        | 700              |
| Property, Furniture, and Equipment      | 11,283                 | 31,968           | -           | -                          | -                 | -                        | 43,251           |
| <b>Total Assets</b>                     | <b>27,729</b>          | <b>31,968</b>    | <b>-</b>    | <b>4,006</b>               | <b>-</b>          | <b>-</b>                 | <b>63,703</b>    |
| <b>Liabilities and Net Assets</b>       |                        |                  |             |                            |                   |                          |                  |
| <b>Liabilities:</b>                     |                        |                  |             |                            |                   |                          |                  |
| Accrued Liabilities                     | 78,431                 | -                | -           | -                          | -                 | -                        | 78,431           |
| Due to Other Funds                      | -                      | -                | -           | 4,006                      | -                 | -                        | 4,006            |
| <b>Total Liabilities</b>                | <b>78,431</b>          | <b>-</b>         | <b>-</b>    | <b>4,006</b>               | <b>-</b>          | <b>-</b>                 | <b>82,437</b>    |
| <b>Net Assets:</b>                      |                        |                  |             |                            |                   |                          |                  |
| Unrestricted:                           |                        |                  |             |                            |                   |                          |                  |
| Operating                               | (61,985)               | -                | -           | -                          | -                 | -                        | (61,985)         |
| Investment in Fixed Assets              | 11,283                 | 31,968           | -           | -                          | -                 | -                        | 43,251           |
| <b>Total Unrestricted</b>               | <b>(50,702)</b>        | <b>31,968</b>    | <b>-</b>    | <b>-</b>                   | <b>-</b>          | <b>-</b>                 | <b>(18,734)</b>  |
| Temporarily Restricted                  | -                      | -                | -           | -                          | -                 | -                        | -                |
| <b>Total Net Assets</b>                 | <b>(50,702)</b>        | <b>31,968</b>    | <b>-</b>    | <b>-</b>                   | <b>-</b>          | <b>-</b>                 | <b>(18,734)</b>  |
| <b>Total Liabilities and Net Assets</b> | <b>\$ 27,729</b>       | <b>\$ 31,968</b> | <b>\$ -</b> | <b>\$ 4,006</b>            | <b>\$ -</b>       | <b>\$ -</b>              | <b>\$ 63,703</b> |

See Accompanying Auditor's Report and Notes to Financial Statements.

NOVICE HOUSE, INCORPORATED  
 Schedule of Support, Revenue, Expenses, and  
 Changes in Net Assets  
 June 30, 2004

|  | Temporarily Restricted |           |            |                            |                   |                           | Total All Funds |
|--|------------------------|-----------|------------|----------------------------|-------------------|---------------------------|-----------------|
|  | Unrestricted           | DOC Fund  | Urban Fund | Church Based Tutorial Fund | School Lunch Fund | Other State Revenue Funds |                 |
| <b>UNRESTRICTED NET ASSETS</b>                         |                        |           |            |                            |                   |                           |                 |
| Support  |                        |           |            |                            |                   |                           |                 |
| Fees   | \$ 27,564              | \$ -      | \$ -       | \$ -                       | \$ -              | \$ -                      | \$ 27,564       |
| Contributions  | 566                    | -         | -          | -                          | -                 | -                         | 566             |
| Total Other Support                                    | 28,130                 | -         | -          | -                          | -                 | -                         | 28,130          |
| <b>TOTAL UNRESTRICTED SUPPORT</b>                      | <b>28,130</b>          | <b>-</b>  | <b>-</b>   | <b>-</b>                   | <b>-</b>          | <b>-</b>                  | <b>28,130</b>   |
| Net Assets Released from Restrictions                  | 279,346                | -         | -          | -                          | -                 | -                         | 279,346         |
| <b>TOTAL UNRESTRICTED SUPPORT AND RECLASSIFICATION</b> | <b>307,476</b>         | <b>-</b>  | <b>-</b>   | <b>-</b>                   | <b>-</b>          | <b>-</b>                  | <b>307,476</b>  |
| <b>Expenses</b>  |                        |           |            |                            |                   |                           |                 |
| General Expenses                                       | 148,519                | -         | -          | -                          | -                 | -                         | 148,519         |
| Program Expenses                                       | 166,663                | -         | -          | -                          | -                 | -                         | 166,663         |
| Total Expenses   | 315,182                | -         | -          | -                          | -                 | -                         | 315,182         |
| Change in Unrestricted Net Assets                      | (7,706)                | -         | -          | -                          | -                 | -                         | (7,706)         |
| <b>TEMPORARILY RESTRICTED NET ASSETS</b>               |                        |           |            |                            |                   |                           |                 |
| State  | -                      | 176,521   | 60,000     | 14,425                     | -                 | 25,000                    | 275,946         |
| Restrictions satisfied by payments                     | -                      | (176,521) | (60,000)   | (14,425)                   | (3,400)           | (25,000)                  | (279,346)       |
| Change in Temporarily Restricted Net Assets            | -                      | -         | -          | -                          | (3,400)           | -                         | (3,400)         |
| Change in Net Assets                                   | (7,706)                | -         | -          | -                          | (3,400)           | -                         | (11,106)        |
| Net Assets as of Beginning of Year                     | (41,754)               | 31,968    | -          | -                          | 3,400             | -                         | (6,386)         |
| Other Changes in Net Assets                            | (1,242)                | -         | -          | -                          | -                 | -                         | (1,242)         |
| Prior Period Adjustment                                | (1,242)                | -         | -          | -                          | -                 | -                         | (1,242)         |
| Total Other Changes in Net Assets                      | -                      | -         | -          | -                          | -                 | -                         | -               |
| Net Assets as of End of Year                           | \$ (50,702)            | \$ 31,968 | \$ -       | \$ -                       | \$ -              | \$ -                      | \$ (18,734)     |

See Accompanying Auditor's Report and Notes to Financial Statements.

NOVICE HOUSE, INCORPORATED  
 Schedule of Cash Flows  
 For the Year Ended  
 June 30, 2004

|   | TEMPORARILY RESTRICTED |          |            |                            |                   |                          |      | Total All Funds |
|---|------------------------|----------|------------|----------------------------|-------------------|--------------------------|------|-----------------|
|   | UNRESTRICTED           | DOC Fund | Urban Fund | Church Based Tutorial Fund | School Lunch Fund | Other State Revenue Fund |      |                 |
| <b>Operating Activities</b>   |                        |          |            |                            |                   |                          |      |                 |
| Change in Net Assets  | \$ (7,706)             | \$ -     | \$ -       | \$ -                       | \$ (3,400)        | \$ -                     | \$ - | \$ (11,106)     |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: |                        |          |            |                            |                   |                          |      |                 |
| Decrease (Increase) in Grants and Contracts Receivable                                      | (8,828)                | 21,856   | -          | (125)                      | -                 | -                        | -    | 12,903          |
| Decrease (Increase) in Inventories  | (700)                  | -        | -          | -                          | 700               | -                        | -    | -               |
| Decrease (Increase) in Due from Other Funds   | 18,850                 | -        | -          | -                          | 2,636             | -                        | -    | 21,486          |
| Increase (Decrease) in Accounts Payable/Accrued Liabilities                                 | (15,521)               | -        | -          | -                          | -                 | -                        | -    | (15,521)        |
| Increase (Decrease) in Due to Other Funds   | -                      | (21,856) | -          | 370                        | -                 | -                        | -    | (21,486)        |
| Total Adjustments   | (6,199)                | -        | -          | 245                        | 3,336             | -                        | -    | (2,618)         |
| Net Cash Provided by Operating Activities   | (13,905)               | -        | -          | 245                        | (64)              | -                        | -    | (13,724)        |
| Cash and Cash Equivalents as of Beginning of Year   | 16,817                 | -        | -          | 219                        | 64                | -                        | -    | 17,100          |
| Cash and Cash Equivalents as of the End of Year   | \$ 2,912               | \$ -     | \$ -       | \$ 464                     | \$ -              | \$ -                     | \$ - | \$ 3,376        |
| Supplemental Information:   |                        |          |            |                            |                   |                          |      |                 |
| Interest Paid   | \$ 2,373               | \$ -     | \$ -       | \$ -                       | \$ -              | \$ -                     | \$ - | \$ 2,373        |

See Accompanying Auditor's Report and Notes to Financial Statements.

NOVICE HOUSE, INCORPORATED  
 Schedule of Expenses  
 For the Year Ended  
 June 30, 2004

|   | TEMPORARILY RESTRICTED NET ASSETS RELEASED FROM RESTRICTIONS |              |           |            |                            |                   |                          | Total All Funds |
|---|--|--------------|-----------|------------|----------------------------|-------------------|--------------------------|-----------------|
|   | UNRESTRICTED   | General Fund | DOC Fund  | Urban Fund | Church Based Tutorial Fund | School Lunch Fund | Other State Revenue Fund |                 |
| <b>General &amp; Administrative</b>     |  |              |           |            |                            |                   |                          |                 |
| Personnel Costs                         |  |              |           |            |                            |                   |                          |                 |
| Salaries and Wages                      | \$ 3,047   | \$ 37,977    | \$ 9,887  | \$ -       | \$ -                       | \$ -              | \$ 23,848                | \$ 74,759       |
| Payroll Taxes and Other Fringe Benefits | 151  | 3,981        | -         | -          | -                          | -                 | -                        | 4,132           |
| Total Personnel Costs                   | 3,198  | 41,958       | 9,887     | -          | -                          | -                 | 23,848                   | 78,891          |
| Operating Services                      | 20,478   | 36,852       | 9,256     | -          | -                          | -                 | 700                      | 67,286          |
| Operating Supplies                      | 1  | -            | -         | -          | -                          | -                 | 452                      | 453             |
| Professional Services                   | 494  | 1,395        | -         | -          | -                          | -                 | -                        | 1,889           |
| Travel                                  | -  | -            | -         | -          | -                          | -                 | -                        | -               |
| Total General & Administrative          | 24,171   | 80,205       | 19,143    | -          | -                          | -                 | 25,000                   | 148,519         |
| <b>Program Expenses</b>                 |  |              |           |            |                            |                   |                          |                 |
| Personnel Costs                         |  |              |           |            |                            |                   |                          |                 |
| Salaries and Wages                      | 9,225  | 81,248       | 39,510    | -          | 12,993                     | -                 | -                        | 142,976         |
| Payroll Taxes and Other Fringe Benefits | 459  | 8,516        | -         | -          | -                          | -                 | -                        | 8,975           |
| Total Personnel Costs                   | 9,684  | 89,764       | 39,510    | -          | 12,993                     | -                 | -                        | 151,951         |
| Food Supplies                           | -  | 5,553        | 1,137     | -          | -                          | 3,400             | -                        | 10,090          |
| Operating Services                      | 200  | 106          | -         | -          | -                          | -                 | -                        | 306             |
| Operating Supplies                      | -  | 893          | 210       | -          | 1,432                      | -                 | -                        | 2,535           |
| Professional Services                   | 1,781  | -            | -         | -          | -                          | -                 | -                        | 1,781           |
| Total Program Expenses                  | 11,665   | 96,316       | 40,857    | -          | 14,425                     | 3,400             | -                        | 166,663         |
| Total Functional Expenses               | \$ 35,836  | \$ 176,521   | \$ 60,000 | \$ 14,425  | \$ 14,425                  | \$ 3,400          | \$ 25,000                | \$ 315,182      |

See Accompanying Auditor's Report and Notes to Financial Statements.

NOVICE HOUSE, INCORPORATED  
DOC Fund  
Statement of Activities -Budget to Actual  
For the Year Ended June 30, 2004

|   | <u>Budgeted</u> | <u>Actual</u>  | <u>Variance</u> |
|---|-----------------|----------------|-----------------|
| <b>Revenue</b>                          |                 |                |                 |
| State Grants                            | \$ 176,521      | \$ 176,521     | \$ -            |
| <b>Total Revenue</b>                    | <u>176,521</u>  | <u>176,521</u> | <u>-</u>        |
| <b>Personnel Costs</b>                  |                 |                |                 |
| Salaries and Wages                      | 119,225         | 119,225        | -               |
| Payroll Taxes and Other Fringe Benefits | 12,497          | 12,497         | -               |
| <b>Total Personnel Costs</b>            | <u>131,722</u>  | <u>131,722</u> | <u>-</u>        |
| <b>Other Expenses</b>                   |                 |                |                 |
| Personnel Travel                        | -               | -              | -               |
| Operating Services                      | 35,300          | 36,115         | (815)           |
| Professional Services                   | 2,299           | 2,238          | 61              |
| Operating Supplies                      | 7,200           | 6,446          | 754             |
| <b>Total Other Expenses</b>             | <u>44,799</u>   | <u>44,799</u>  | <u>-</u>        |
| <b>Total Expenses</b>                   | <u>176,521</u>  | <u>176,521</u> | <u>-</u>        |
| <b>Change in Net Assets</b>             | <u>\$ -</u>     | <u>\$ -</u>    | <u>\$ -</u>     |

See Accompanying Auditor's Report and Notes to Financial Statements.

NOVICE HOUSE, INCORPORATED  
LACAP Fund  
Statement of Activities - Budget to Actual  
For the Year Ended June 30, 2004

|   | <u>Budgeted</u> | <u>Actual</u> | <u>Variance</u> |
|---|-----------------|---------------|-----------------|
| <b>Revenue</b>                          |                 |               |                 |
| Grants and Receivables                  | \$ 60,000       | \$ 60,000     | \$ -            |
| <b>Total Revenue</b>                    | <u>60,000</u>   | <u>60,000</u> | <u>-</u>        |
| <br><b>Personnel Costs</b>              |                 |               |                 |
| Salaries and Wages                      | 49,397          | 49,397        | -               |
| Payroll Taxes and Other Fringe Benefits | -               | -             | -               |
| <b>Total Personnel Costs</b>            | <u>49,397</u>   | <u>49,397</u> | <u>-</u>        |
| <br><b>Other Expenses</b>               |                 |               |                 |
| Personnel Travel                        | 1,600           | 1,600         | -               |
| Operating Services                      | 1,003           | 1,003         | -               |
| Operating Supplies                      | 2,000           | 2,000         | -               |
| Other                                   | 6,000           | 6,000         | -               |
| <b>Total Other Expenses</b>             | <u>10,603</u>   | <u>10,603</u> | <u>-</u>        |
| <b>Total Expenses</b>                   | <u>60,000</u>   | <u>60,000</u> | <u>-</u>        |
| <br><b>Change in Net Assets</b>         | <u>\$ -</u>     | <u>\$ -</u>   | <u>\$ -</u>     |

See Accompanying Auditor's Report and Notes to Financial Statements.

NOVICE HOUSE, INCORPORATED  
Church Based Tutorial Fund  
Statement of Activities -Budget to Actual  
For the Year Ended June 30, 2004

|   | <u>Budgeted</u> | <u>Actual</u> | <u>Variance</u> |
|---|-----------------|---------------|-----------------|
| <b>Revenue</b>                          |                 |               |                 |
| Grants                                  | \$ 14,425       | \$ 14,425     | \$ -            |
| <b>Total Revenue</b>                    | <u>14,425</u>   | <u>14,425</u> | <u>-</u>        |
| <br><b>Personnel Costs</b>              |                 |               |                 |
| Salaries and Wages                      | 12,993          | 12,993        | -               |
| Payroll Taxes and Other Fringe Benefits | -               | -             | -               |
| <b>Total Personnel Costs</b>            | <u>12,993</u>   | <u>12,993</u> | <u>-</u>        |
| <br><b>Other Expenses</b>               |                 |               |                 |
| Supplies                                | <u>1,432</u>    | <u>1,432</u>  | -               |
| <b>Total Other Expenses</b>             | <u>1,432</u>    | <u>1,432</u>  | <u>-</u>        |
| <b>Total Expenses</b>                   | <u>14,425</u>   | <u>14,425</u> | <u>-</u>        |
| <br><b>Change in Net Assets</b>         | <u>\$ -</u>     | <u>\$ -</u>   | <u>\$ -</u>     |

See Accompanying Auditor's Report and Notes to Financial Statements.

NOVICE HOUSE, INCORPORATED  
 Other State Revenue Fund  
 Statement of Activities -Budget to Actual  
 For the Year Ended June 30, 2004

|   | <b>Budgeted</b> | <b>Actual</b> | <b>Variance</b> |
|---|-----------------|---------------|-----------------|
| <b>Revenue</b>                          |                 |               |                 |
| Grants                                  | \$ 25,000       | \$ 25,000     | \$ -            |
| Other Income                            | -               | -             | -               |
| <b>Total Revenue</b>                    | 25,000          | 25,000        | -               |
| <br><b>Personnel Costs</b>              |                 |               |                 |
| Salaries and Wages                      | 20,000          | 23,848        | (3,848)         |
| Payroll Taxes and Other Fringe Benefits | 3,848           | -             | 3,848           |
| <b>Total Personnel Costs</b>            | 23,848          | 23,848        | -               |
| <br><b>Other Expenses</b>               |                 |               |                 |
| Personnel Travel                        | 500             | 500           | -               |
| Operating Supplies                      | 452             | 452           | -               |
| Other                                   | 200             | 200           | -               |
| <b>Total Other Expenses</b>             | 1,152           | 1,152         | -               |
| <b>Total Expenses</b>                   | 25,000          | 25,000        | -               |
| <br><b>Change in Net Assets</b>         | \$ -            | \$ -          | \$ -            |

See Accompanying Auditor's Report and Notes to Financial Statements.

**NOVICE HOUSE, INC.  
YEAR ENDED JUNE 30, 2004  
SCHEDULE OF FINDINGS**

**REPORTABLE CONDITIONS**

**Finding 04-01-Failure to Document Board Meetings**

Although, the Organization provided board-meeting agendas for November 11, 2003, and February 24, 2004, the Organization did not have any recorded minutes of board meetings. Minutes of the governing board provides legal documentation of the actions taken by the board to approve transactions resulting from the daily operations performed by the staff, such as the following:

- Indications of new or additional sources of support or revenue, or reduced or terminated sources.
- Acknowledgment of contributions, gifts, and grants received (including donated services and materials), and the nature of restrictions or requirements related to such items.
- Approval of agreements with funding sources and related budgets.
- Approval of other budgets for programs or the organization as a whole.
- Approvals of new program services.
- Approvals of changes in dues, rates, fees, or prices to be charged for program services or items sold.
- Awards, renewals, or cancellations of grants to other organizations.
- Satisfaction, termination, or lapse of significant restrictions on assets.
- Approvals of fund-raising activities, indications of the purpose or restrictions related to funds raised from the activities, and indications of program or management and general functions conducted in conjunction with a fund-raising appeal.
- Indications of new employees and their functions, personnel terminations, or employee fraud or other concerns.
- Purchases, or commitments for future purchases of:
  - Property and equipment (also, construction projects and sales of property or equipment).
  - Investment securities (also, pooling and sales of investments).
  - Contract, consulting, and professional services.
- Lease agreements entered into.
- Bank accounts opened and closed, and restrictions on bank accounts.
- Debt agreements made and covenants or other related requirements.
- Approval of new or revised employee benefit plans.
- Existing or pending lawsuits.
- Approvals of designations of net assets.
- Audits by funding sources.
- Identification of a related party or a transaction with a related party.

**Recommendation**

The Organization should maintain accurate and detail minutes of board meetings.

**Management Response**

The board of directors will maintain accurate and detail minutes of all future board meetings

**Finding 04-02-Default of Offer in Compromise Agreement-Future Compliance Agreement**

In 2001 the Internal Revenue Service accepted an Offer in Compromise Agreement abating interest and penalties for untimely payment of payroll taxes. As a condition of acceptance of an Offer in Compromise Agreement, the Internal Revenue Service has a future compliance provision, which requires the taxpayer to comply with all provisions of the Internal Revenue Code relating to filing the returns and paying the required taxes for 5 years or until the offered amount is paid in full, whichever is longer. Failure to do so may result in a default of the entire agreement. During the fiscal year ended June 30, 2004, the agreement amount was fully satisfied. However, on several occasions payroll tax deposits have been made untimely.

**Recommendation**

The Organization should comply with all provisions of the Offer in Compromise Agreement by filing all federal returns and paying the related tax deposits in a timely manner.

**Management Response**

The Organization will comply with the all provisions of the Offer in Compromise Agreement by filing all federal returns and paying the related tax deposits in a timely manner.

**Finding 04-03-Failure to Pay Overtime**

The Organization failed to pay overtime to non-exempt employees who worked over 40 hours per week as required by the Fair Labor Standards Act.

**Recommendation**

The Organization should comply with all provisions of the Fair Labor Standards Act by paying non-exempt employees the overtime to which they are entitled.

**Management Response**

The Organization will calculate and pay overtime to non-exempt employees to which they are entitled in back periods. Also, the Organization will comply in the future with all provisions of the Fair Labor Standards Act by paying non-exempt employees the overtime to which they are entitled.