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**HEALING HEARTS FOR
COMMUNITY DEVELOPMENT, INC.**

FINANCIAL STATEMENTS

June 30, 2009 and 2008

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 2/24/10

HEALING HEARTS FOR COMMUNITY DEVELOPMENT, INC.

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-10
Special Report of Certified Public Accountants	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11-12
Schedule of Findings	13
Schedule of Prior Year Findings	14
Reports by Management	
Management's Corrective Action Plan	15

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Healing Hearts for Community Development, Inc.

We have audited the accompanying statements of financial position of Healing Hearts for Community Development, Inc. (a nonprofit organization) as of June 30, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Healing Hearts for Community Development, Inc. as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2009, on our consideration of Healing Hearts for Community Development, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audits performed in accordance with *Government Auditing Standards* and important for assessing the results of our audits.

December 9, 2009

Wegmann Dazet + Company

HEALING HEARTS FOR COMMUNITY DEVELOPMENT, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2009 and 2008

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 111,377	\$ 319,111
Accounts receivable	6,719	2,812
Unrestricted promises to give	64,762	98,440
Other receivables	315	416
Property and equipment, at cost less accumulated depreciation	<u>345,679</u>	<u>106,376</u>
Total assets	<u>\$ 528,852</u>	<u>\$ 527,155</u>
LIABILITIES		
Accounts payable	\$ 22,805	\$ 39,053
Accrued payroll liabilities	<u>14,751</u>	<u>-</u>
Total liabilities	<u>37,559</u>	<u>39,053</u>
NET ASSETS		
Net assets - unrestricted	441,293	138,102
Net assets - temporarily restricted	<u>50,000</u>	<u>350,000</u>
Total net assets	<u>491,293</u>	<u>488,102</u>
Total liabilities and net assets	<u>\$ 528,852</u>	<u>\$ 527,155</u>

See accompanying Notes to Financial Statements.

HEALING HEARTS FOR COMMUNITY DEVELOPMENT, INC.
STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2009 and 2008

UNRESTRICTED NET ASSETS

	2009	2008
Unrestricted revenues and gains		
Contributions	\$ 104,394	\$ 184,281
Federal financial assistance	475,123	405,091
State financial assistance	49,487	40,000
Program service fees	66,436	26,219
Other	11,306	7,076
Net assets released from restrictions	<u>316,000</u>	<u>-</u>
Total unrestricted revenues and gains	<u>1,022,746</u>	<u>662,667</u>
Expenses		
Program services		
Addiction counseling	202,491	308,658
Prevention	40,234	12,552
Trauma counseling	429,829	315,119
Supporting services		
Administrative and general	<u>47,001</u>	<u>19,012</u>
Total expenses	<u>719,555</u>	<u>655,341</u>
Increase in unrestricted net assets	<u>303,191</u>	<u>7,326</u>

TEMPORARILY RESTRICTED NET ASSETS

Contributions	16,000	300,000
Net assets released from restrictions		
Satisfaction of purpose restrictions	<u>(316,000)</u>	<u>-</u>
Increase in temporarily restricted net assets	<u>(300,000)</u>	<u>300,000</u>
Increase in net assets	<u>\$ 3,191</u>	<u>\$ 307,326</u>
Net assets		
Beginning net assets	\$ 488,102	\$ 180,776
Change in net assets	<u>3,191</u>	<u>307,326</u>
End of year	<u>\$ 491,293</u>	<u>\$ 488,102</u>

See accompanying Notes to Financial Statements.

HEALING HEARTS FOR COMMUNITY DEVELOPMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2009

	Program Services			Supporting Services	Total
	Addiction Counseling	Prevention Counseling	Mental Health Counseling	Administrative & General	
Accounting fees	\$ 2,065	\$ -	\$ 2,650	\$ 2,885	\$ 7,600
Administrative expenses	462	-	885	66	1,413
Bad debt expense	2,288	-	2,288	509	5,085
Bank service charges	-	-	703	44	747
Client resources	1,219	2,334	1,279	75	4,907
Contributions	-	-	-	1,900	1,900
Contract labor	13,455	7,630	11,938	1,422	34,445
Depreciation	5,402	1,014	12,169	2,065	20,650
Drug testing services	4,290	-	271	51	4,612
Dues and subscriptions	701	-	1,111	-	1,812
Employee background check	148	-	694	16	858
Licenses, inspections and fees	478	-	1,053	94	1,625
Insurance	13,952	1,490	26,798	1,277	43,517
Library	45	-	1,001	-	1,046
Office supplies	4,793	1,286	9,722	1,004	16,805
Outreach expenses	-	-	433	47	480
Payroll expense - salaries	122,124	17,454	287,425	15,613	442,616
Payroll fees	1,181	-	1,726	99	3,006
Payroll taxes	7,533	1,047	18,890	617	28,087
Play therapy items	-	-	127	-	127
Professional services	-	-	17,860	15,868	33,728
Promotional activities	1,709	-	1,036	184	2,929
Rent	4,709	884	10,607	1,800	18,000
Repairs and maintenance	-	-	-	540	540
Supervision	2,236	-	2,265	-	4,501
Telephone	4,163	495	5,732	307	10,697
Training	6,966	5,207	4,822	-	16,995
Travel	2,272	1,393	3,312	235	7,212
Utilities	300	-	3,032	283	3,615
Totals	\$ 202,491	\$ 40,234	\$ 429,829	\$ 47,001	\$ 719,555

See accompanying Notes to Financial Statements.

HEALING HEARTS FOR COMMUNITY DEVELOPMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2008

	Program Services			Supporting Services	Total
	Celebration Hope Center	Children of Addicted Parents	Trauma Counseling	Administrative & General	
Accounting fees	\$ 4,462	\$ 60	\$ 1,599	\$ 279	\$ 6,400
Administrative expenses	1,337	70	1,339	260	3,006
Bad debt expense	5,144	-	-	571	5,715
Bank service charges	68	-	-	8	76
Client resources	663	-	1,313	82	2,058
Contract labor	1,140	8,019	2,450	-	11,609
Contract labor - trauma counseling	-	-	26,695	-	26,695
Contributions	-	-	-	3,265	3,265
Depreciation	3,982	205	4,537	-	8,724
Dues and subscriptions	944	9	548	44	1,545
Licenses, inspections and fees	1,355	17	379	81	1,832
Insurance	33,306	-	21,821	1,721	56,848
Library	-	-	2,500	-	2,500
Office supplies	7,801	765	6,676	859	16,101
Outreach expenses	599	-	-	-	599
Payroll expense - salaries	175,474	1,153	176,591	5,415	358,633
Payroll fees	1,299	6	936	26	2,267
Payroll taxes	13,765	237	17,558	1,110	32,670
Play therapy	-	-	1,376	-	1,376
Professional services	18,179	1,175	25,999	3,261	48,614
Promotional activities	10,901	190	4,232	891	16,214
Rent	18,550	-	7,800	-	26,350
Telephone	2,750	26	3,460	124	6,360
Training	4,255	384	5,649	801	11,089
Travel	2,684	236	1,661	214	4,795
Totals	\$ 308,658	\$ 12,552	\$ 315,119	\$ 19,012	\$ 655,341

See accompanying Notes to Financial Statements.

HEALING HEARTS FOR COMMUNITY DEVELOPMENT, INC.
STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Changes in net assets	\$ 3,191	\$ 307,326
Adjustments to reconcile to net cash provided (used) by operating activities:		
Depreciation	20,650	8,724
(Increase) decrease in operating assets:		
Accounts receivable	(3,907)	(2,626)
Unrestricted promises to give	33,678	(32,764)
Other receivables	101	(416)
Increase (decrease) in operating liabilities:		
Accounts payable	(16,248)	2,507
Accrued payroll liabilities	14,754	-
Due to Celebration Church	-	(50,000)
Net cash provided by operating activities	<u>52,219</u>	<u>232,751</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(259,953)</u>	<u>(88,832)</u>
Net cash used by investing activities	<u>(259,953)</u>	<u>(88,832)</u>
Net (decrease) increase in cash	(207,734)	143,919
Cash and cash equivalents at beginning of year	<u>319,111</u>	<u>175,192</u>
Cash and cash equivalents at end of year	<u>\$ 111,377</u>	<u>\$ 319,111</u>

See accompanying Notes to Financial Statements.

HEALING HEARTS FOR COMMUNITY DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2009 and June 30, 2008

1) Nature of activities

Healing Hearts for Community Development, Inc. (the Organization) is chartered in the state of Louisiana as a not-for-profit organization. The Organization provides social and emotional counseling and treatment and recovery support services for addictions for individuals and families throughout the New Orleans region. The Organization is supported primarily through donor contributions and grants. Approximately 73% and 46% of the Organization's support for the years ended June 30, 2009 and 2008, respectively, came from allocations from federal funding through state and parish agencies.

2) Summary of significant accounting policies

The significant accounting policies followed by the Organization are summarized as follows:

- (a) Financial statement of presentation
The financial statements are prepared on the accrual basis. The Organization reports 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.
- (b) Cash and cash equivalents
For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents.
- (c) Contributions
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.
- (d) Promises to give
Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.
- (e) Accounts receivable
The Organization uses the allowance method to determine uncollectible accounts receivable. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Accounts receivable is presented net of an allowance for doubtful accounts of \$750 and \$- for the years ended June 30, 2009 and 2008, respectively.

HEALING HEARTS FOR COMMUNITY DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2009 and June 30, 2008

2) Summary of significant accounting policies (continued)

(f) Income taxes

No provision for income taxes has been made since the Organization is exempt as a nonprofit organization pursuant to Section 501(c)(3) of the Internal Revenue Code. The Organization has no unrelated business income.

(g) Property and equipment

It is the Organization's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. 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. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is computed using the straight-line method over estimated useful lives as follows:

Furniture and equipment	3-7 years
Office equipment	5-7 years
Leaschold improvements	15-39 years

(h) 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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenue and expenses during the period. Actual results could differ from those estimates.

(i) Concentration of credit risk

The Organization at times has cash on deposit at financial institutions that is in excess of federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization has not experienced any losses in such accounts.

(i) Allocation of expenses

Administrative expenses and other overhead are allocated to program and supporting services by management on the basis of salaries from contract and employee counselors.

HEALING HEARTS FOR COMMUNITY DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2009 and June 30, 2008

3) Restrictions on net assets

For the year ending June 30, 2009, the McClure Foundation donated \$15,000 to assist in the renovation of the counseling center in Metairie. An individual also donated \$1,000 to the cost of renovating the facility. The Organization received during the year ending June 30, 2008 \$50,000 from The Mariners Church and \$250,000 from the State of Louisiana for the purpose of renovating the counseling center in Metairie. All of the funds noted above were used in the build out of the Metairie counseling center as of June 30, 2009.

The Samaritan's Purse donated \$50,000 to the cost of acquiring a church facility in the New Orleans area. As of June 30, 2009, these funds had not been used.

Temporarily restricted net assets are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Renovation of Metairie counseling center	316,000	300,000
Purchase/renovation of a church	<u>50,000</u>	<u>50,000</u>
	366,000	350,000
Net assets released from restrictions		
Satisfaction of purpose restrictions	<u>(316,000)</u>	<u>-</u>
	<u>\$ 50,000</u>	<u>\$ 350,000</u>

4) Federal financial assistance

The Organization has been awarded grants from the U.S. Department of Health and Human Services through the Jefferson Parish Human Services Authority and the Metropolitan Human Services District to provide counseling services to individuals with addictions. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. Grant activity for the years ended June 30, 2009 and 2008 was as follows:

	<u>2009</u>	<u>2008</u>
Grant receipts	\$ 414,245	306,651
Grant expenditures	<u>475,123</u>	<u>405,091</u>
Due from grant at end of the year	<u>60,878</u>	<u>98,440</u>

The due from grant as of June 30, 2009 and 2008 is included in "unrestricted promises to give" on the statements of financial position.

HEALING HEARTS FOR COMMUNITY DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2009 and June 30, 2008

5) Property and equipment

Property and equipment consists of the following:

	<u>2009</u>	<u>2008</u>
Furniture and fixtures	\$ 12,514	8,475
Office equipment	79,535	47,911
Leaschold improvements	289,391	65,101
Total cost	<u>381,440</u>	<u>\$ 121,487</u>
Accumulated depreciation	<u>35,761</u>	<u>15,111</u>
Property and equipment	<u>\$ 345,679</u>	<u>\$ 106,376</u>

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Healing Hearts for Community Development, Inc.

We have audited the financial statements of Healing Hearts for Community Development, Inc. (the "Organization"), a Louisiana nonprofit organization as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated December 9, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider the deficiency described in the accompany schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

-11-

Compliance and other matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, the Louisiana Department of Health and Hospitals, and the Legislative Auditor for the State of Louisiana 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.

December 9, 2009

HEALING HEARTS FOR COMMUNITY DEVELOPMENT, INC.
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2009

Section I Summary of Auditors' Report

A) Financial Statements

Type of auditors' report issued: Unqualified

Internal Control over financial reporting:

- | | | | | |
|--|-------|-----|-----|----|
| • Material weakness(es) identified | _____ | Yes | _X_ | No |
| • Significant Deficiency(s) identified that are not considered to be material weaknesses | _____ | Yes | _X_ | No |
| Noncompliance material to financial statements noted | _____ | Yes | _X_ | No |

B) Federal Awards

For the year ended June 30, 2009, Healing Hearts for Community Development, Inc. was not subject to OMB Circular A-133 Audits of States, Local Government and Non-Profit Organizations.

Section II Financial Statement Findings

There were no financial statement findings required to be reported for the twelve months ended June 30, 2009.

Section III Federal Award Findings and Questioned Costs

Not applicable.

HEALING HEARTS FOR COMMUNITY DEVELOPMENT, INC.
 SCHEDULE OF PRIOR YEAR FINDINGS
 For the Year Ended June 30, 2009

Section I Internal Control and Compliance Materials to the General Purpose Financial Statements

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
<p>2008-I Controls over cash receipts</p> <p>Criteria -- The internal control structure should be designed to provide for adequate controls over the receiving, depositing and recording of cash receipts.</p> <p>Condition -- Various personnel have the capability to bill the client, and collect and deposit the receipts.</p> <p>Effect -- A weak system of controls over cash receipts may result in errors and fraud not being detected in a timely manner.</p> <p>Cause -- Lack of procedures over cash receipts.</p> <p>Recommendation -- The Organization should document their procedures and include segregation of duties as it relates to cash receipts.</p>	<p>Resolved.</p>

Section II Internal Control and Compliance Material to Federal Awards

For the year ended June 30, 2008, Healing Hearts for Community Development, Inc. was not subject to OMB Circular A-133, Audits of States, Local Government and Non-Profit Organizations.

Section III Management Letter

A management letter was issued in connection with the audit of the year ended June 30, 2008.

REPORTS BY MANAGEMENT

HEALING HEARTS FOR COMMUNITY DEVELOPMENT, INC.
MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2009

Section I Internal Control and Compliance Material to the General Purpose Financial Statements.

There were no such instances reported.

Section II Internal Control and Compliance Material to Federal Awards.

For the years ended June 30, 2009 and 2008, Healing Hearts for Community Development, Inc. was not subject to OMB Circular A-133, Audits of States, Local Government and Non-Profit Organizations.

Section III Management Letter

A management letter was not issued in connection with the audit of the year ended June 30, 2009.