



LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants
and Management Consultants

BROOKHAVEN HOMES OF LOUISIANA, INC.

FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED JUNE 30, 2002

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 1/15/03

BROOKHAVEN HOMES OF LOUISIANA, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Brookhaven Homes of Louisiana, Inc.

We have audited the accompanying statement of financial position of Brookhaven Homes of Louisiana, Inc. (a nonprofit organization) as of June 30, 2002, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion of these financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The statement of financial position reflects a balance in Due From Other Entity recorded at \$39,578 for which adequate supporting documentation was not provided. In addition this entity was considered a related entity in the prior year. Accordingly, we were unable to determine the accuracy or collectibility of this balance.

Payroll tax liability is recorded at \$99,550 as of June 30, 2002. We were not provided with sufficient documentation to satisfy ourselves as to the accuracy of the liability and any resultant effects to the financial statements.

In our opinion, except for the affects of such adjustment, if any as might have been determined to be necessary had we been able to satisfy ourselves with alternative procedures, regarding the Agency's payroll tax liability and the Due From Other Entity, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Brookhaven Homes of Louisiana, Inc. as of June 30, 2002, 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*, we have also issued our report dated December 14, 2002 on our consideration of Brookhaven Homes of Louisiana, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Brookhaven Homes of Louisiana, Inc. taken as a whole. The accompanying schedule of functional expenses on page 10 is 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 our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "Arthur C. LaSalle".

New Orleans, Louisiana
December 14, 2002

BROOKHAVEN HOMES OF LOUISIANA, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2002

ASSETS

Current Assets

Cash	1,473
Grant Receivable	<u>49,857</u>

Total Current Assets	51,330
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Other Current Assets

Deposit	100
Due From Other Entity	39,578
Due From Shareholders	<u>1,803</u>

Total Other Current Assets	41,481
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Property and Equipment

Furniture & Fixtures	11,906
Accumulated Depreciation	<u>(8,285)</u>

Total Property and Equipment	3,621
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TOTAL ASSETS	<u>96,432</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	11,339
Payroll Taxes Payable	<u>99,550</u>

Total Current Liabilities	110,889
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NET ASSETS

Net Assets	<u>(14,457)</u>
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Total Net Assets	(14,457)
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TOTAL LIABILITIES AND NET ASSETS	<u>96,432</u>
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See accompanying notes.

PROCEEDINGS HOMES OF LOUISIANA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2002

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Grant Revenue	\$ 16,162	\$ 256,588	\$ 272,750
Miscellaneous Income	3,443	-	3,443
Net Assets Released From Restrictions			
Restrictions Satisfied by Depreciation	2,381	(2,381)	-
Restrictions Satisfied by Payments	<u>259,837</u>	<u>(259,837)</u>	<u>-</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>281,823</u>	<u>(5,630)</u>	<u>276,193</u>
EXPENSES			
Program Services	259,837	0	259,837
Support Services	<u>6,849</u>	<u>0</u>	<u>6,849</u>
Total Expenses	266,686	-	266,686
CHANGE IN NET ASSETS	15,137	(5,630)	9,507
NET ASSETS AT BEGINNING OF YEAR	<u>(24,054)</u>	<u>0</u>	<u>(24,054)</u>
NET ASSETS AT END OF YEAR	<u>(8,917)</u>	<u>(5,630)</u>	<u>(14,547)</u>

See accompanying notes.

BROOKHAVEN HOMES OF LOUISIANA, INC.
STATEMENT OF CASH FLOWS
AS OF JUNE 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in Net Assets	9,507
Adjustments to Reconcile Net Revenues over Expenditures to net Cash Provided by Operating Activities	
Depreciation Expense	2,381
Changes in Operating Assets and Liabilities	
Grant Receivable	(23,369)
Deposit	100
Due From Other Entity	(171)
Due From Shareholders	1,714
Accounts Payable	11,339
Accrued Expenses	1,095
Taxes Payable	<u>(3,504)</u>
Net (Decrease) In Cash Provided by Operating Activities	(908)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment	-
Accumulated Depreciation	<u>2,381</u>
Net Increase in Cash Provided by Investing Activities	2,381

CASH FLOWS FROM FINANCING ACTIVITIES

Net Decrease in Cash From Financing Activities	<u>0</u>
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NET CASH INCREASE(DECREASE) FOR PERIOD	1,473
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CASH, AT BEGINNING OF PERIOD (JULY 1, 2001)	<u>-</u>
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CASH, A THE END OF PERIOD (JUNE 30, 2002)	<u><u>1,473</u></u>
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See accompanying notes.

BROOKHAVEN HOMES OF LOUISIANA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002

NOTE 1 - BACKGROUND

Brookhaven Homes of Louisiana, Inc. (the agency) was established in Louisiana in 1989 as a non-profit corporation to provide substitute family housing to adults and youths that have severe mental health ailments. In addition to those services, the agency also provides a client assistance program for adults who live independently, but need support and case management. The agency also provides assistance to those who are homeless. The agency performs these services for individuals through state and local agencies.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of Accounting

The agency uses the accrual method of accounting and follows the standards of accounting and financial reporting outlined by the American Institute of Certified Public Accountants in its Audit and Accounting Guide, Audits of Not-for-Profit Organizations.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment acquired by the agency are considered to be owned by the agency. Property and equipment are carried at cost. Depreciation is computed using the straight-line method over an estimated useful life of six years. Expenditures for maintenance and repairs are charged to operation as incurred. Expenditures for betterments and major renewals are capitalized. The cost of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal and the resulting gains or losses are recognized.

Income Taxes

The agency operates as a nonprofit entity and has been granted tax-exempt status by the Internal Revenue Service (IRS) under Section 501(c)(3) of the Internal Revenue Code. The agency's exempt status is recognized by the State of Louisiana. Accordingly, no provision has been made in these statements for federal or state income taxes.

Use of Estimates

The preparation of financial statements in conformity with 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.

Legend of Revenues and Expenditures by Program

ASFC -	LA Department of Health & Hospitals Office of Mental Health Adult Substitute Family Care Services
KSFC -	LA Department of Health & Hospitals Office of Mental Health Adolescent Substitute Family Care Services
OCDD -	LA Department of Health & Hospitals Office for Citizens with Developmental Disabilities
SIL Waiver -	State of Louisiana Department of Health & Hospitals Medicare/Medicaid Waiver

NOTE 3 -- RESTRICTIONS ON NET ASSETS

Substantially all of the restrictions on net assets at the end of June 30, 2002 are related to funds received through federally awarded grants to provide services to adults and adolescents with chronic mental illness. These services range from foster care, case management, mentoring, and overall client care. Those temporary restrictions are considered to expire when payments are made.

NOTE 4 -- PROPERTY AND EQUIPMENT

Property and Equipment consist of the following at June 30, 2002:

Furniture and Equipment	\$ 11,906
Less Accumulated Depreciation	<u>(8,285)</u>
Net Property, Plant & Equipment	<u>\$ 3,621</u>

Depreciation expense for furniture and equipment is charged to management and general expense. Depreciation expense totaled \$2,381 for the year ended June 30, 2002.

NOTE 5 – GRANT RECEIVABLE

The agency is the recipient of various reimbursements for contract expenditures made according to agreements with the State of Louisiana. The Grant receivable stated at \$49,857 represents reimbursements earned and not received prior to the agency's fiscal year-end of June 30, 2002. The outstanding reimbursements are detailed below:

ASFC	14,117
KSFC	32,639
OCDD	<u>3,101</u>
Total	<u>\$49,857</u>

NOTE 6 – DUE FROM OTHER ENTITY

The statement of financial position reflects a balance in Due From Other Entity recorded at \$39,578 for which adequate supporting documentation was not provided. Funds transfers occur between these two companies on a recurring basis. In addition this entity was considered a related entity in the prior year. Accordingly, we were unable to determine the accuracy or collectibility of this balance.

The company was also contracted by Brookhaven to provide various services at a rate of \$125.00 per hour.

NOTE 7 – UNPAID PAYROLL TAXES

There is a \$99,055 payroll tax liability recorded at June 30, 2002, however as referenced in the financial statement opinion of this report, we were unable to determine whether this amount was accurate due to the lack of supporting documentation. Furthermore, an Offer In Compromise from the Internal Revenue Service was made in the prior year which stated a liability of \$50,000 with a \$10,000 down payment requirement and subsequent monthly payments.

NOTE 9 – ECONOMIC DEPENDENCY

The agency receives the majority of its revenue from only a few grants and from a few state and locally sponsored agencies. If budget cuts from funding sources are made at the state and local levels, the amount of the funds the agency received could be significantly reduced, with resultant adverse impact on revenues and operations. Management is not aware of any plans on the part of its current funding sources to significantly reduce payments to the agency.

NOTE 10 – GRANT REVENUE

The agency is the recipient of two grants from the State of Louisiana Office of Mental Health awarded for the purpose of developing and operating a substitute family care program to adolescents and adults with chronic mental illnesses. A total of \$152,275 was received under these grants for the year ending June 30, 2002.

The agency is the recipient of a grant from the Office for Citizens with Developmental Disabilities awarded personal care attendant services provided by the organization. The amount of this grant received during the year ending June 30, 2002 was \$ 15,336.

The agency is the recipient of a grant from the Department of Health and Hospitals awarded for the purposed of providing services to adults who are mentally handicapped living independently with everyday responsibilities. Services provided include, but is not limited to medication intake, minor house repairs, housekeeping, and overall client care. The amount received during the year ended June 30, 2002 was \$75,467.

SUPPLEMENTAL INFORMATION

BROOKHAVEN HOMES OF LOUISIANA, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2002

	ASFC	KSFC	ACT 378	OCS	OCDD	SIL Waiver	UNITY	General	Total
Advertising	203								203
Automobile Expense	75					64	50		189
Bank Service Charges						1,069		196	1,265
Client Care	960								960
Contract Labor	63,398	44,650			10,385	6,475	400	200	125,508
Contributions						40			40
Depreciation Expense								2,381	2,381
Dietary Foods	62	98					121		281
Equipment Rental		1,086		566					1,652
Family Payments	1,929								1,929
Insurance					192	490			682
Janitorial	150	75				1,010			1,235
Licenses and Permits		25							25
Miscellaneous	725							3,763	4,488
Office Expense	350	210						295	855
Payroll Expense	34,750	211	517		56	38,073			73,607
Postage and Delivery	341							14	355
Professional Fees	4,747	186		186		7,355			12,474
Rent		10,900				8,391			19,291
Repairs	1,400	218			176	1,875			3,669
Supplies	1,256	1,387		2,312	200	790			5,945
Telephone	1,950	1,183				736	146		4,015
Travel and Entertainment	1,890		300		700	2,350			5,240
Utilities		397							397
Total Expenses	114,186	60,626	817	3,064	11,709	68,718	717	6,849	266,686

See Independent Auditor's Report.



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

To the Board of Directors of
Brookhaven Homes of Louisiana, Inc.

We have audited the financial statements of Brookhaven Homes of Louisiana, Inc. (a nonprofit organization) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 14, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Brookhaven Homes of Louisiana, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 02-2.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Brookhaven Homes of Louisiana, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Brookhaven Homes of Louisiana, Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 02-1 – 02-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial that might be material weaknesses. However, of the reportable conditions described above, we consider items 02-1 - 02-3 to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Luther C. Smith".

New Orleans, LA
December 14, 2002

BROOKHAVEN HOMES OF LOUISIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2002

02-1 PAYROLL TAX LIABILITY

QUESTIONED COSTS: -0-

CONDITION:

The Agency's financial statements reflect an outstanding payroll tax liability of \$99,055 as of year-end. This balance is comparable to prior year and generally reflects a lack of timely payments of taxes. Also, adequate documentation of the amounts owed was not on file.

CRITERIA:

Financial statement balances should be properly supported.

EFFECT:

We were unable to determine whether the payroll tax liability at June 30, 2002 was accurately recorded.

CAUSE:

The Agency had not paid payroll taxes on a timely basis.

RECOMMENDATION:

We recommend that the Agency adequately determine and reflect all year-end accruals.

02-2 INADEQUATE SUPPORTING DOCUMENTATION

QUESTIONED COST:

ASFC	\$ 917.80
ACT 378	202.34
KSFC	909.89
General	<u>146.97</u>
Total	<u>\$ 2,177.00</u>

CONDITION:

During our disbursements testwork, we requested a total of eighty (80) invoices and supporting documentation for our examination, however support for nine (9) transactions was not provided.

CRITERIA:

Invoices or supporting documentation should be maintained on file for all expenditures.

EFFECT:

We were unable to determine whether or not the expenditures associated with the sampled items were allowable.

CAUSE:

The agency did not provide adequate supporting documentation for certain expense items.

RECOMMENDATION:

We recommend that the Agency maintain adequate supporting documentation for all expenditures.

02-3 ACCOUNT CLASSIFICATION ERRORS

QUESTIONED COST:-0-

CONDITION:

During our disbursements testwork of eighty (80) disbursements, we noted that eighteen (18) transactions were not recorded in the proper expense category.

CRITERIA:

Generally accepted accounting principles require that expenses be recorded by their proper functional category.

EFFECT:

The agency is not in compliance with generally accepted accounting principles.

CAUSE:

We were unable to determine the cause of this condition.

RECOMMENDATION:

We recommend that the Agency record expenses in proper expense categories.

**BROOKHAVEN HOMES OF LOUISIANA, INC.
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Resolved</u>	<u>Unresolved</u>
Finding #1 Related Party Transactions	X	
Finding #2 Inadequate Supporting Documentation	X	
Finding #3 Unadjusted Payroll Tax Liability		X

MANAGEMENT CORRECTIVE ACTION PLAN

Management's response to the current year findings was not available upon completion of this audit report.