

**BRIDGE HOUSE CORPORATION**  
**NEW ORLEANS, LOUISIANA**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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## CONTENTS

<b><u>INDEPENDENT AUDITORS' REPORT</u></b> .....	1 – 2
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### **FINANCIAL STATEMENTS:**

Exhibit "A" Statements of Financial Position.....	3
Exhibit "B" Statements of Activities .....	4 – 5
Exhibit "C" Statements of Functional Expenses.....	6 – 7
Exhibit "D" Statements of Cash Flows.....	8
Notes to Financial Statements .....	9 – 18

### **SUPPLEMENTARY INFORMATION:**

Schedule "1" Schedule of Expenditures of Federal Awards .....	19
Notes to the Schedule of Expenditures of Federal Awards .....	20
Independent Auditors' 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> .....	21 – 22
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 .....	23 – 25
Schedule of Findings and Questioned Costs .....	26 – 28
Summary Schedule of Prior Year Findings .....	29
Management's Corrective Action Plan.....	30 – 31

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Bridge House Corporation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Bridge House Corporation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors of  
Bridge House Corporation  
June 6, 2013  
Page 2

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bridge House Corporation as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2013, on our consideration of Bridge House Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bridge House Corporation's internal control over financial reporting and compliance.

June 6, 2013  
New Orleans, Louisiana

*Ericksen, Krentel & Laporte LLP*

Certified Public Accountants

**BRIDGE HOUSE CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b><u>ASSETS:</u></b>		
Cash and cash equivalents	\$ 1,853,162	\$ 2,501,386
Accounts receivable:		
Grants and contracts	330,461	130,922
Prepaid expenses	90,601	62,822
Inventories	149,772	140,912
Investments	4,840,156	3,294,927
Deposits	42,900	45,424
Beneficial interest in endowment fund	29,276	26,477
Land, buildings, and equipment - net	<u>9,962,123</u>	<u>10,332,286</u>
 Total assets	 <u>\$ 17,298,451</u>	 <u>\$ 16,535,156</u>
<b><u>LIABILITIES:</u></b>		
Accounts payable and accrued expenses	\$ 149,927	\$ 85,605
Notes payable:		
Current portion	16,752	46,506
Long-term portion	<u>6,650,000</u>	<u>6,666,711</u>
 Total liabilities	 <u>6,816,679</u>	 <u>6,798,822</u>
<b><u>NET ASSETS:</u></b>		
Unrestricted:		
Undesignated	4,854,996	6,209,857
Designated	<u>5,550,000</u>	<u>3,500,000</u>
 Total unrestricted	 10,404,996	 9,709,857
Temporarily restricted	47,500	-
Permanently restricted	<u>29,276</u>	<u>26,477</u>
 Total net assets	 <u>10,481,772</u>	 <u>9,736,334</u>
 Total liabilities and net assets	 <u>\$ 17,298,451</u>	 <u>\$ 16,535,156</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**BRIDGE HOUSE CORPORATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b><u>UNRESTRICTED NET ASSETS</u></b>		
<b><u>Public Support:</u></b>		
Contributions	\$ 3,970,419	\$ 4,005,098
Grants and contracts:		
Prevention and treatment of substance abuse	741,745	1,085,975
Supportive housing and emergency shelter	596,771	464,122
Emergency food and shelter	3,520	3,520
Food stamps	212,019	234,000
Released from restrictions	<u>2,500</u>	<u>-</u>
Total unrestricted public support	<u>5,526,974</u>	<u>5,792,715</u>
<b><u>Other Revenue:</u></b>		
Client service fees	37,163	52,462
Vending	4,581	3,831
Thrift stores and auto sales	2,847,873	2,799,673
Cost of goods sold	(2,847,873)	(2,799,673)
Gain on sale of assets	3,000	-
Investment return and interest income, net	229,590	(9,181)
Rental income	107,258	44,435
Other income	<u>12,195</u>	<u>115,297</u>
Total unrestricted other revenue	<u>393,787</u>	<u>206,844</u>
Total unrestricted public support and unrestricted other revenue	<u>5,920,761</u>	<u>5,999,559</u>
<b><u>Expenses:</u></b>		
Program services	4,384,258	4,530,605
Supporting services:		
Management and general	380,719	386,303
Fundraising	<u>460,645</u>	<u>445,911</u>
Total supporting services	<u>841,364</u>	<u>832,214</u>
Total expenses	<u>5,225,622</u>	<u>5,362,819</u>
Increase in unrestricted net assets	695,139	636,740

See accompanying NOTES TO FINANCIAL STATEMENTS

**BRIDGE HOUSE CORPORATION**  
**STATEMENTS OF ACTIVITIES**  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b><u>TEMPORARILY RESTRICTED NET ASSETS</u></b>		
Contributions	50,000	-
Released from restrictions	<u>(2,500)</u>	<u>-</u>
Increase in temporarily restricted net assets	<u>47,500</u>	<u>-</u>
<b><u>PERMANENTLY RESTRICTED NET ASSETS</u></b>		
Investment return	<u>2,799</u>	<u>625</u>
Increase in permanently restricted net assets	<u>2,799</u>	<u>625</u>
Increase in net assets	745,438	637,365
Net assets, beginning of year	<u>9,736,334</u>	<u>9,098,969</u>
Net assets, end of year	<u>\$ 10,481,772</u>	<u>\$ 9,736,334</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**BRIDGE HOUSE CORPORATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Program Services	Supporting Services		Total
		Management and General	Fund Raising	
Salaries	\$ 1,879,913	\$ 88,467	\$ 243,283	\$ 2,211,663
Payroll taxes	164,868	7,758	21,336	193,962
Health insurance	71,688	3,374	9,277	84,339
<b>Total salaries and related expenses</b>	<b>2,116,469</b>	<b>99,599</b>	<b>273,896</b>	<b>2,489,964</b>
Auto expenses	123,276	-	-	123,276
Computer expenses	53,373	35,457	8,864	97,694
Food	53,714	18,395	1,472	73,581
Household supplies	41,911	-	-	41,911
Insurance	173,807	46,248	11,687	231,742
Interest	95,374	-	-	95,374
Licenses and taxes	41,268	-	-	41,268
Maintenance and repairs	164,345	21,474	7,033	192,852
Office	91,270	21,918	4,011	117,199
Professional services	46,791	10,050	-	56,841
Program supplies and services	70,193	-	-	70,193
Rent	361,133	-	-	361,133
Rent - grants	135,519	-	-	135,519
Telephone	42,836	11,423	2,855	57,114
Travel and education	3,747	1,032	4,916	9,695
Utilities	162,763	84,301	2,496	249,560
Fundraising expenses:				
Newsletter and mailings	-	-	14,775	14,775
Event expenses	19,494	-	9,748	29,242
Other fundraising expenses	-	-	118,892	118,892
Thrift stores and auto sales expenses:				
Advertising and promotions	125,661	-	-	125,661
Towing and toll expense	388	-	-	388
Telecheck expense	4,968	-	-	4,968
Supplies	229	-	-	229
<b>Total expenses before depreciation</b>	<b>3,928,529</b>	<b>349,897</b>	<b>460,645</b>	<b>4,739,071</b>
Depreciation and amortization	455,729	30,822	-	486,551
<b>Total expenses</b>	<b>\$ 4,384,258</b>	<b>\$ 380,719</b>	<b>\$ 460,645</b>	<b>\$ 5,225,622</b>

See accompanying NOTES TO FINANCIAL STATEMENTS



**BRIDGE HOUSE CORPORATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	Program Services	Supporting Services		Total
		Management and General	Fund Raising	
Salaries	\$ 1,861,320	\$ 87,592	\$ 240,876	\$ 2,189,788
Payroll taxes	160,758	7,565	20,804	189,127
Health insurance	69,998	3,294	9,058	82,350
<b>Total salaries and related expenses</b>	<b>2,092,076</b>	<b>98,451</b>	<b>270,738</b>	<b>2,461,265</b>
Auto expenses	152,754	-	-	152,754
Computer expenses	69,427	55,541	13,885	138,853
Food	66,313	-	-	66,313
Household supplies	42,731	-	-	42,731
Insurance	166,724	44,460	11,115	222,299
Interest	98,394	-	-	98,394
Licenses and taxes	33,888	-	-	33,888
Maintenance and repairs	163,747	25,156	7,950	196,853
Office	69,326	22,424	12,006	103,756
Professional services	54,513	19,900	-	74,413
Program supplies and services	90,434	-	-	90,434
Rent	341,904	-	-	341,904
Rent - grants	156,916	-	-	156,916
Telephone	49,244	13,131	3,283	65,658
Travel and education	17,100	1,391	13,615	32,106
Utilities	215,643	72,853	2,914	291,410
Fundraising expenses:				
Newsletter and mailings	-	-	9,958	9,958
Event expenses	24,919	-	8,307	33,226
Other fundraising expenses	-	-	92,140	92,140
Thrift stores and auto sales expenses:				
Advertising and promotions	143,221	-	-	143,221
Towing and toll expense	60	-	-	60
Telecheck expense	5,995	-	-	5,995
Supplies	469	-	-	469
<b>Total expenses before depreciation</b>	<b>4,055,798</b>	<b>353,307</b>	<b>445,911</b>	<b>4,855,016</b>
Depreciation and amortization	474,807	32,996	-	507,803
<b>Total expenses</b>	<b>\$ 4,530,605</b>	<b>\$ 386,303</b>	<b>\$ 445,911</b>	<b>\$ 5,362,819</b>

See accompanying NOTES TO FINANCIAL STATEMENTS

**BRIDGE HOUSE CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b><u>CASH FLOWS PROVIDED BY (USED BY) OPERATING ACTIVITIES:</u></b>		
Change in net assets	\$ 745,438	\$ 637,365
Adjustments to reconcile changes in net assets to cash provided by (used by) operating activities:		
Depreciation and amortization	486,551	507,803
Net (gain) on disposal of fixed assets	(3,000)	-
Net unrealized (gain) loss on investments	(130,247)	12,902
Net realized (gain) on sale of investments	(18,506)	(31,462)
Investment (income) on restricted funds	(2,799)	(625)
Donated investments included in public support	(12,644)	(13,759)
(Increase) decrease in:		
Grants and contracts receivable	(199,539)	110,129
Prepaid expenses	(27,779)	18,297
Inventories	(8,860)	(31,810)
Deposits	2,524	8,675
Increase (decrease) in:		
Accounts payable and accrued expenses	64,322	18,423
Net cash provided by operating activities	<u>895,461</u>	<u>1,235,938</u>
<b><u>CASH FLOWS PROVIDED BY (USED BY) INVESTING ACTIVITIES:</u></b>		
Capital expenditures	(116,388)	(43,047)
Proceeds from sale of fixed assets	3,000	-
Proceeds from sale of investments	1,059,843	521,566
Purchase of investments	<u>(2,443,675)</u>	<u>(3,061,908)</u>
Net cash (used by) investing activities	<u>(1,497,220)</u>	<u>(2,583,389)</u>
<b><u>CASH FLOWS PROVIDED BY (USED BY) FINANCING ACTIVITIES:</u></b>		
Principal payments on notes payable	<u>(46,465)</u>	<u>(43,935)</u>
Net cash (used by) financing activities	<u>(46,465)</u>	<u>(43,935)</u>
Net (decrease) in cash and cash equivalents	(648,224)	(1,391,386)
Cash and cash equivalents at beginning of year	<u>2,501,386</u>	<u>3,892,772</u>
Cash and cash equivalents at end of year	<u>\$ 1,853,162</u>	<u>\$ 2,501,386</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**BRIDGE HOUSE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

(1) **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Bridge House Corporation (Bridge House) is a non-profit corporation organized to provide treatment and long-term residential care for individuals with drug and alcohol addictions in the greater New Orleans area. Bridge House is supported primarily through donor contributions, thrift store and donated auto sales, and governmental grants and contracts.

**Basis of Accounting**

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

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-210-50-3, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-210-50-3, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**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.

**Cash Equivalents**

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

**Accounts Receivable**

Accounts receivable consists of grants and contracts receivable. Management monitors the receivables and assesses the collectability of accounts on a monthly basis. Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

**BRIDGE HOUSE CORPORATION**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2012 AND 2011

(1) **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventories**

Inventories are stated at the lower of cost, fair value at date of donation plus the cost of repairs, or market.

**Investments**

Investments, consisting of stocks and mutual funds, are recorded at fair value. Unrealized gains and losses on investments in equity securities with readily available market values are recorded in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or law. Dividend, interest, and other investment income is recorded as increases in unrestricted net assets unless the use is restricted by the donor. Donated investments are recorded at fair value at the date of receipt.

FASB ASC topic 820, *Fair Value Measurements and Disclosures* emphasizes market-based measurement and, in doing so, stipulates a fair value hierarchy. The hierarchy is based on the type of inputs, or data used, to measure fair value. The fair value hierarchy is summarized below:

Level 1 lies at the top of the hierarchy, where inputs are quoted prices in active markets.

Level 2 inputs are in the middle of the hierarchy, where data are adjusted from similar items traded in markets that are active markets or from identical or similar items in markets that are not active. Level 2 inputs do not stem directly from quoted prices.

Level 3 inputs are unobservable and generated by the entity itself.

No Level 2 or Level 3 inputs were used by the Organization.

**Fixed Assets**

Bridge House follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$2,500. Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings	30 Years
Furniture, fixtures and equipment	5 - 15 Years
Building improvements	7 - 30 Years
Leasehold improvements	27.5 Years
Vehicles	5 - 7 Years
Computer software	3 Years

**BRIDGE HOUSE CORPORATION**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2012 AND 2011

(1) **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fixed Assets (continued)**

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets 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, Bridge House reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Bridge House reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**Contributions**

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restrictions expire in the reporting period 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.

**Contributed Services**

Bridge House receives a substantial amount of services donated by its clients and supporters in carrying out Bridge House's activities. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under FASB ASC 958-605-50-1, *Accounting for Contributions Received and Contributions Made*.

**Promises to Give**

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. The total amount of promises conditioned on the continued expansion of treatment facilities as of December 31, 2012 and 2011 was \$188,323 and \$350,625, respectively.

**Functional Expense Reporting**

The cost of providing program and supporting services has been summarized by function, based on estimates developed by management studies.

**BRIDGE HOUSE CORPORATION**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2012 AND 2011

(1) **NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Tax Status**

Bridge House is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950. However, income from certain activities not directly related to the organization's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, Bridge House qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

As of December 31, 2012, Bridge House had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The 2009 through 2012 tax years remain subject to examination by the IRS. Bridge House does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

**Advertising**

All non-direct response advertising costs are expensed as incurred and included in advertising and promotions expenses. Advertising expense amounted to \$125,661 and \$143,221 for the years ended December 31, 2012 and 2011, respectively.

**Subsequent Events**

Subsequent events have been evaluated through June 6, 2013, which is the date the financial statements were available to be issued.

(2) **STATEMENT OF CASH FLOWS SUPPLEMENTARY DISCLOSURES**

Supplemental disclosures of cash flow information:

Cash paid during the year for:	<u>2012</u>	<u>2011</u>
Interest	<u>\$ 95,374</u>	<u>\$ 98,394</u>

(3) **DESIGNATED NET ASSETS**

Net assets at December 31, 2012 and 2011 includes \$5,550,000 and \$3,500,000, respectively, of assets which were designated by the Board of Directors to be used for the future required funding of the debt detailed in Note 9.

**BRIDGE HOUSE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2012 AND 2011

**(4) CONTRACTS RECEIVABLE AND REVENUE**

Bridge House recognizes revenue arising from contracts with the State of Louisiana - Department of Health and Hospitals and Unity for the Homeless, Inc. Terms of the contracts provide for reimbursement of certain program costs up to specified maximum amounts or on a per diem basis for each client in the program.

**(5) INVENTORIES**

Inventories at December 31, 2012 and 2011 consist of:

	<u>2012</u>	<u>2011</u>
Donated thrift store items	\$ 67,122	\$ 66,160
Donated used cars	<u>82,650</u>	<u>74,752</u>
	<u>\$ 149,772</u>	<u>\$ 140,912</u>

**(6) INVESTMENTS**

The fair value of investments is as follows at December 31:

	<u>2012</u>	<u>2011</u>
Stocks, bonds, and mutual funds	<u>\$ 4,840,156</u>	<u>\$ 3,294,927</u>

The fair value of investments are determined by reference to quoted prices in active markets for identical assets (Level 1).

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31:

	<u>2012</u>	<u>2011</u>
Dividends and interest	\$ 117,490	\$ 35,616
Net gain (loss) on sale of investments	18,506	31,462
Management fees	(20,785)	(13,224)
Net unrealized gain (loss) in value of investments	<u>130,247</u>	<u>(69,844)</u>
Total return on investments	<u>\$ 245,458</u>	<u>\$ (15,990)</u>

**BRIDGE HOUSE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2012 AND 2011

**(7) FIXED ASSETS AND DEPRECIATION**

The cost of such assets at December 31, 2012 and 2011 are as follows:

	2012	2011
Land and buildings	\$ 10,428,735	\$ 10,407,581
Furniture, fixtures and equipment	241,172	446,118
Building improvements	649,963	649,963
Leasehold improvements	250,098	233,900
Vehicles	392,183	353,687
	11,962,151	12,091,249
Less: accumulated depreciation	(2,000,028)	(1,758,963)
	\$ 9,962,123	\$ 10,332,286

Depreciation and amortization expense for the years ended December 31, 2012 and 2011 was \$486,551 and \$507,803, respectively.

**(8) BENEFICIAL INTEREST IN ENDOWMENT FUND**

Bridge House is the beneficiary of an endowment fund created by donors, the assets of which are not in the possession of Bridge House. The fund is held by the Greater New Orleans Foundation. Bridge House has legally enforceable rights and claims to such assets, including the sole right to income there from. The principal portion of the endowment fund is permanently restricted. Income earned by the fund is distributed to Bridge House at the discretion of the Greater New Orleans Foundation. At December 31, 2012 and 2011, the beneficial interest in The Greater New Orleans Foundation's Bridge House Fund was a historical cost and fair value of \$29,276 and \$26,477, respectively. During the year ended December 31, 2012 and 2011, Bridge House incurred \$2,799 and \$625, respectively, of investment income (loss) from the fund. Bridge House reinvested these amounts back into the endowment fund, which permanently restricts these funds.

Changes in endowment net assets for the years ended December 31, 2012 and 2011 is summarized as follows:

	2012	2011
Endowment net assets, beginning of year	\$ 26,477	\$ 25,852
Interest and dividend income	755	424
Administrative fees	(140)	(133)
Realized gains (losses)	457	252
Unrealized gains (losses)	1,727	82
Endowment net assets, end of year	\$ 29,276	\$ 26,477



**BRIDGE HOUSE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2012 AND 2011

**(9) NOTES PAYABLE**

Notes payable at December 31, 2012 and 2011 consisted of the following:

	<u>2012</u>		<u>2011</u>	
	<u>Due Within</u>	<u>Due After</u>	<u>Due Within</u>	<u>Due After</u>
	<u>One Year</u>	<u>One Year</u>	<u>One Year</u>	<u>One Year</u>
Note payable to Capital One Community Renewal Fund, LLC secured by all real property owned by Bridge House; payable in quarterly payments of interest only until April 1, 2015 at such time that quarterly installments of principal and interest will begin; interest accrues at the SIFMA Swap Index rate plus 1.5% (1.63% at December 31, 2012); note matures on April 1, 2040.	\$	- \$2,775,000	\$	- \$2,775,000
Note payable to Enhanced Delta Small Business Investment Fund, LLC secured by all real property owned by Bridge House; payable in quarterly payments of interest only until April 1, 2015 at such time that quarterly installments of principal and interest will begin; interest accrues at the SIFMA Swap Index rate plus 1.5% (1.63% at December 31, 2012); note matures on April 1, 2040.		- 2,775,000		- 2,775,000
Non-interest bearing note payable to Capital One Community Renewal Fund, LLC; secured by all real property owned by Bridge House; no payments required until note matures on April 1, 2040.		- 550,000		- 550,000
Non-interest bearing note payable to Enhanced Delta Small Business Investment Fund, LLC secured by all real property owned by Bridge House; no payments required until note matures on April 1, 2040.		- 550,000		- 550,000

**BRIDGE HOUSE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2012 AND 2011

**(9) NOTES PAYABLE (CONTINUED)**

	2012		2011	
	Due Within One Year	Due After One Year	Due Within One Year	Due After One Year
	Note payable to Capital One, National Association, collateralized by three vehicles, with 36 monthly principal and interest payments at 5.72% interest rates, maturing on January 15, 2013.	2,015	-	25,278
Note payable to Capital One, National Association, collateralized by a vehicle, with 36 monthly principal and interest payments at 5.50% interest rates, maturing on August 5, 2013.	14,737	-	21,228	14,704
	<u>\$ 16,752</u>	<u>\$6,650,000</u>	<u>\$ 46,506</u>	<u>\$6,666,711</u>

Following are maturities of notes payable for each of the next five years:

2013	\$ 16,752
2014	-
2015	40,000
2016	85,000
2017	100,000
Thereafter	6,425,000
	<u>\$ 6,666,752</u>

Interest costs charged to expenses for the years ended December 31, 2012 and 2011 were \$95,374 and \$98,394, respectively.

**(10) RESTRICTIONS ON NET ASSETS**

Permanently restricted net assets consists of a beneficial interest in endowment funds, detailed in Note 8, of \$29,276 and \$26,477 at December 31, 2012 and 2011, respectively.

Temporarily restricted net assets consists of a \$50,000 charitable bequest, of which 5% will be released from restrictions annually to fund resident support. As of December 31, 2012 and 2011, temporarily restricted net assets were \$47,500 and \$0, respectively.

**BRIDGE HOUSE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2012 AND 2011

**(11) LEASES**

Bridge House makes payments monthly for the use of treatment, housing, thrift store and used car facilities. Presently, Bridge House has short term and long term agreements with the owners of these properties. Short term arrangements could be terminated at the discretion of either party to the rental agreements. Long-term leases are non-cancelable operating leases that expire at various dates through July 31, 2018. These leases generally contain renewal options for periods ranging from two to ten years, include escalation clauses, and require Bridge House to pay executor costs such as taxes, maintenance and insurance. Rent expense for short and long-term leases for 2012 and 2011 was \$496,652 and \$498,820, respectively.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2012 are:

<u>Years ending December 31,</u>	
2013	\$ 272,556
2014	272,556
2015	272,556
2016	241,807
2017	75,939
Thereafter	<u>37,969</u>
	<u>\$ 1,173,383</u>

**(12) COMMODITY ASSISTANCE**

Bridge House participated in the United States Department of Agriculture Food Distribution Program for the years ended December 31, 2012 and 2011. The program provides food commodities to Bridge House to use in the preparation of meals for clients. The value of the donated commodities was \$206,164 and \$56,825 for the years ended December 31, 2012 and 2011, respectively. These amounts are not recorded as revenues or expenditures on the accompanying statements of activities.

**(13) FINANCIAL INSTRUMENTS**

**Concentrations of Credit Risk**

Financial instruments that potentially subject Bridge House to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. Bridge House's policy is to not require accounts receivable to be collateralized.

**BRIDGE HOUSE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2012 AND 2011**

**(13) FINANCIAL INSTRUMENTS (CONTINUED)**

**Concentrations of Credit Risk (continued)**

Bridge House maintains its cash and cash equivalents in various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed federally insured limits. The FDIC's temporary transaction account guarantee program provides depositors with unlimited coverage for non-interest bearing checking accounts through December 31, 2012. There were no uninsured cash balances as of December 31, 2012 and 2011.

Bridge House maintains certificates of deposit with Morgan Stanley Smith Barney LLC, who is a member of SIPC, which protects securities up to \$500,000. As of December 31, 2012 and 2011, amounts in excess of insured limits totaled \$344,831 and \$2,447, respectively.

**(14) TAX-DEFERRED ANNUITY PLAN**

Bridge House has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of Bridge House. Bridge House does not contribute to the plan. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. There were no plan expenses for the years ended December 31, 2012 and 2011.

**BRIDGE HOUSE CORPORATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant Number	Disbursements/ Expenditures
<b><u>U.S. Department of Health and Human Services</u></b>			
<i>Pass - Through Louisiana Metropolitan Human Services District</i>			
Block Grants for Prevention and Treatment of Substance Abuse - TANF Residential Treatment	93.959	673506	\$ 155,805
Block Grants for Prevention and Treatment of Substance Abuse - Women's Residential Treatment	93.959	673513	239,797
Block Grants for Prevention and Treatment of Substance Abuse - Men's Residential Treatment	93.959	673512	<u>346,143</u>
Total U.S. Department of Health and Human Services			<u>741,745</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
HUD Supportive Housing Program	14.235	LA0071B6H031104	183,616
<i>Pass-Through City of New Orleans</i>			
Emergency Shelter Grants Program	14.231	ESG026-E	75,000
<i>Pass-Through Unity for the Homeless, Inc.</i>			
Supportive Housing Program: Substance Abuse	14.235	LA0087B6H031003/31104	128,784
Supportive Housing Program: Youth/Substance Abuse	14.235	LA0092B6H031003/31104	<u>51,080</u>
			<u>179,864</u>
Total U.S. Department of Housing and Urban Development			<u>438,480</u>
<b><u>U.S. Department of Homeland Security</u></b>			
Emergency Food and Shelter National Board Program	97.024	365800-022	<u>3,520</u>
Total U.S. Department of Homeland Security			<u>3,520</u>
<b><u>U.S. Department of Agriculture</u></b>			
<i>Pass - Through Louisiana Department of Agriculture</i>			
Emergency Food Assistance Program - Second Harvesters Food Bank of Greater New Orleans	10.569	-	<u>206,164</u>
Total U.S. Department of Agriculture			<u>206,164</u>
Total			<u>\$ 1,389,909</u>

(See Independent Auditors' Report)

**BRIDGE HOUSE CORPORATION**  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 1 – SCOPE OF AUDIT PURSUANT TO *GOVERNMENT AUDITING STANDARDS*, OMB CIRCULAR A-133, “AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS” AND THE SINGLE AUDIT ACT OF 1984 AND 1996 AMENDMENTS**

All federal grant operations of Bridge House are included in the scope of the single audit. Those programs which were major grants and selected for specific testing were:

Block Grants for Prevention and Treatment of Substance Abuse (CFDA No. 93.959)  
Supportive Housing Programs (CFDA No. 14.235)

**NOTE 2 – FISCAL PERIOD AUDIT**

Single audit testing procedures were performed for program transactions occurring during the year ended December 31, 2012.

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when Bridge House has met the qualifications for the respective grants.

**Payments to Subrecipients**

There were no payments to subrecipients for the fiscal year ended December 31, 2012.

**Non Cash Assistance**

Nonmonetary assistance is reported in the schedule of expenditures of federal awards as CFDA# 10.569 at the fair market value of the commodities received and disbursed.

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†LIMITED LIABILITY COMPANY

BENJAMIN J. ERICKSEN - DECEASED

J.V. LECLERE KRENTEL - DECEASED

## INDEPENDENT AUDITORS' 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 of  
Bridge House Corporation

We have audited, 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, the financial statements of Bridge House Corporation (a non-profit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 6, 2013.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bridge House Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bridge House Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2012-01 and 2012-02 that we consider to be significant deficiencies.

To the Board of Directors of  
Bridge House Corporation  
June 6, 2013

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Bridge House Corporation's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2012-03 and 2012-04.

### **Bridge House Corporation's Response to Findings**

Bridge House Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Bridge House Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose and is intended solely for the information and use of management, the Board of Directors, the Louisiana Legislative Auditor, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

June 6, 2013  
New Orleans, Louisiana



Certified Public Accountants



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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors of  
Bridge House Corporation

### Report on Compliance for Each Major Federal Program

We have audited Bridge House Corporation's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bridge House Corporation's major federal programs for the year ended December 31, 2012. Bridge House Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of Bridge House Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bridge House Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bridge House Corporation's compliance.

To the Board of Directors of  
Bridge House Corporation  
June 6, 2013

### ***Opinion on Each Major Federal Program***

In our opinion, Bridge House Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-03 and 2012-04. Our opinion on each major federal program is not modified with respect to this matter.

Bridge House Corporation's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Bridge House Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of Bridge House Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bridge House Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ABC Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

To the Board of Directors of  
Bridge House Corporation  
June 6, 2013

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose and is intended solely for the information and use of management, the Board of Directors, the Louisiana Legislative Auditor, 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

June 6, 2013  
New Orleans, Louisiana

*Erickson, Krentel & Laporte LLP*

Certified Public Accountants

**BRIDGE HOUSE CORPORATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**SECTION I SUMMARY OF AUDITORS' REPORTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Bridge House Corporation.
2. Two significant deficiencies disclosed during the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards* . No material weaknesses are reported.
3. Two instances of noncompliance material to the financial statements of Bridge House Corporation, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Two significant deficiencies in internal control over major federal award programs disclosed during the audit is reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for Bridge House Corporation expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs were:

93.959	Block Grants for Prevention and Treatment of Substance Abuse
14.235	Supportive Housing Program
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Bridge House Corporation was not determined to be a low-risk auditee.
10. A management letter was issued for the year ended December 31, 2012.

**BRIDGE HOUSE CORPORATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**SECTION II FINANCIAL STATEMENT FINDINGS**

**SIGNIFICANT DEFICIENCIES**

**2012-01 Improperly Maintaining Documents Relevant to Grant Requirements**

**Condition** – Bridge House did not retain and maintain relevant documents that are necessary in order to be in compliance with grant requirements. Out of a sample of 95 residents, the following issues were noted regarding required documentation: 1 missing client folder, 8 Initial Treatment Plans were not performed within 72 hours of admission, 3 missing initial urine tests, 1 missing initial TB test, 3 missing Addiction Severity Indexes, 7 missing discharge plans, and 6 missing medical history information.

**Criteria** – Grant agreements require Initial Treatment Plans to be performed within 72 hours of admission, initial urine test, initial TB test, addition severity index, discharge plan, and medical history information be retained in relevant files.

**Cause** – Certain employees may have lacked the knowledge of what documents are critical to retain and were unaware of the timeline for completion of documents.

**Effect** – Pertinent documents were not readily available within the resident files maintained by Bridge House.

**Recommendation** – Management should designate someone to ensure that all required documents are retained and stored within the appropriate resident's permanent file.

**Views of Responsible Officials and Planned Corrective Actions:** – See Management's Corrective Action Plan for their response.

**2012-02 Improperly Maintaining Documents Relevant to Grant Requirements**

**Condition** – Bridge House did not retain and maintain relevant documents that are necessary in order to be in compliance with HUD requirements. Out of a sample of 43 tenant payments, 1 tenant file did not contain an updated lease agreement.

**Criteria** – Grant agreements require lease agreements to be retained in relevant files.

**Cause** – Certain employees may have lacked the knowledge of what documents are critical to retain and were unaware of the timeline for completion of documents.

**BRIDGE HOUSE CORPORATION**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

**Effect** – Pertinent documents were not readily available within the HUD files maintained by Bridge House. As a result of the missing lease agreement certain testing criteria for this tenant, such as recalculation of rent payment, could not be performed for 2012.

**Recommendation** – Management should designate someone to ensure that all required documents are retained and stored within the appropriate tenant’s file.

**Views of Responsible Officials and Planned Corrective Actions:** – See Management’s Corrective Action Plan for their response.

**SECTION III FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT**

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**2012-03 Block Grants for Prevention and Treatment of Substance Abuse – CFDA No. 93.959; Grant No’s 673506, 673513, 673512; Grant period – Years ended June 30, 2012 and June 30, 2013, respectively**

**Significant Deficiency** – As discussed at Finding 2012-01, Bridge House did not retain and maintain relevant documents that are necessary in order to be in compliance with grant requirements. Certain employees may have lacked the knowledge of what documents are critical to retain and were unaware of the timeline for completion of documents. Management should designate someone to ensure that all required documents are retained and stored within the appropriate resident’s permanent file.

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

**2012-04 HUD Supportive Housing Program – CFDA No. 14.235; Grant No. LA0071B6H031104; Grant period – Year ended December 31, 2012**

**Significant Deficiency** – As discussed at Finding 2012-02, Bridge House did not retain and maintain relevant documents that are necessary in order to be in compliance with HUD requirements. Certain employees may have lacked the knowledge of what documents are critical to retain and were unaware of the timeline for completion of documents. Management should designate someone to ensure that all required documents are retained and stored within the appropriate tenant’s file.

**BRIDGE HOUSE CORPORATION**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS**

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**93.959: Block Grants for Prevention and Treatment of Substance Abuse**

**2011-01 Improperly Maintaining Documents Relevant to Grant Requirements**

Bridge House did not retain and maintain relevant documents that are necessary in order to be in compliance with grant requirements. Out of a sample of 111 residents, the following issues were noted regarding required documentation: 1 missing ID, 4 Initial Treatment Plans were not performed within 72 hours of admission, 3 Treatment Progress Notes were not updated no less than every 90 days, 5 missing initial urine tests, 4 missing initial TB tests, 3 missing Addiction Severity Indexes, 1 missing discharge data on use of alcohol and drugs, 1 missing discharge plan, and 9 missing medical history informations.

Management should designate someone to ensure that all required documents are retained and stored within the appropriate resident's permanent file.

This issue remains in finding 2012-01.

**BRIDGE HOUSE CORPORATION**  
**MANAGEMENT'S CORRECTIVE ACTION PLANS**  
**DECEMBER 31, 2012**

June 6, 2013

U.S. Department of Health and Human Services  
U.S. Department of Housing and Urban Development  
Louisiana Legislative Auditor

Bridge House Corporation respectfully submits the following corrective action plan for the year ended December 31, 2012.

Name and address of independent public accounting firm:

Ericksen Krentel & LaPorte L.L.P.  
4227 Canal Street  
New Orleans, LA 70119

Audit Period: January 1, 2012 – December 31, 2012

The findings from the December 31, 2012 schedule of findings and questioned costs are discussed below. The finding items are numbered consistently with the number assigned in the schedule.

**SECTION II FINDINGS - FINANCIAL STATEMENTS AUDIT**

**Finding 2012-01 Improperly Maintaining Documents Relevant to Grant Requirements**

Recommendation: Management should improve its related controls and designate someone to ensure that all required documents are retained and stored within the appropriate resident's permanent file.

Response: Effective immediately, management will designate the Executive Director of Clinical Services (EDC) as the person responsible for ensuring that all required documents are retained and stored within the appropriate resident's permanent file. The EDC will improve the related controls by mandating the use of a newly updated Counselor Client Record Maintenance Checklist and oversee a related quarterly internal compliance audit performed by the Clinical Administrative Assistant.

**Finding 2012-02 Improperly Maintaining Documents Relevant to Grant Requirements**

Recommendation: Management should designate someone to ensure that all required documents are retained and stored within the appropriate tenant's file.

Response: Effective immediately, management will designate the Executive Director of Clinical Services (EDC) as the person responsible for ensuring that all required documents are retained and stored within the appropriate resident's permanent file. The EDC will improve the related controls by mandating the use of a newly updated Counselor Client Record Maintenance Checklist and oversee a related quarterly internal compliance audit performed by the Clinical Administrative Assistant.



**BRIDGE HOUSE CORPORATION**  
**MANAGEMENT'S CORRECTIVE ACTION PLANS**  
**DECEMBER 31, 2012**

**SECTION III FINDINGS AND QUESTIONED COSTS – MAJOR AWARD PROGRAMS  
AUDIT**

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**Finding 2012-03 Block Grants for Prevention and Treatment of Substance Abuse –  
CFDA No. 93.959; Grant No's 673506, 673513, 673512; Grant period –  
Years ended June 30, 2012 and June 30, 2013, respectively**

See response for Finding 2012-01 above.

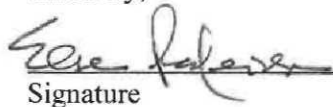
**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

**Finding 2012-04 HUD Supportive Housing Program – CFDA No. 14.235; Grant No.  
LA0071B6H031104; Grant period – Year ended December 31, 2012**

See response for Finding 2012-02 above.

If there are any questions regarding this plan, please contact Else Pedersen, Chief Executive Officer, at (504) 821-7152.

Sincerely,

  
\_\_\_\_\_  
Signature

C.E.O.  
\_\_\_\_\_  
Title

# ERICKSEN KRENTEL & LAPORTE L.L.P.

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\*PROFESSIONAL CORPORATION  
†LIMITED LIABILITY COMPANY  
BENJAMIN J. ERICKSEN - DECEASED  
J.V. LECLERE KRENTEL - DECEASED

## MANAGEMENT LETTER

To the Board of Directors of  
Bridge House Corporation

In planning and performing our audit of the financial statements of Bridge House Corporation for the year ended December 31, 2012, we considered Bridge House Corporation's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions concerning those matters. This letter does not affect our report dated June 6, 2013, on the financial statements of Bridge House Corporation.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Bridge House Corporation personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

### **2012-05 Investigate Differences between the Bank Statement and the General Ledger**

Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements. As of December 31, 2012, bank account reconciliations were prepared for the operating account and the payroll account, however, the account balances did not agree to the general ledger. We recommend that the bank reconciliations be reviewed for accuracy and completeness on a timely basis by the CFO. The review should include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents. The composition of unreconciled differences should be determined and followed up on, and any journal entries deemed necessary as a result be recorded. If necessary, the accounting clerk who prepares the reconciliations should be given additional training and instruction on how to prepare them accurately and completely.

### **2012-06 Improve the Reporting Controls over Investments**

All investment activity is currently recorded in one income account. The nature and volume of information required for financial statement preparation and note disclosure necessitates that investment activities be recorded separately by type. Interest and dividend income should be reported separately from unrealized gains/losses and separately from realized gains/losses.

To the Board of Directors of  
Bridge House Corporation  
June 6, 2013  
Page 2

**2012-07 Bill of Sale on Used Cars**

During audit testing, it was noted that numerous bill of sales to companies and individuals were not signed. To maintain adequate documentation for the sale of used cars, all bill of sales should be signed by the purchaser and seller.

**2012-08 Review Useful Lives for Leasehold Improvements on Leased Property**

Bridge House leases property at various locations and leasehold improvements performed at these locations are capitalized when incurred. We recommend that the remaining book life be compared to the estimated actual remaining life of the lease agreement. If there is a material difference, consideration should be given to changing the remaining useful life. This should result in a more accurate reflection of the actual depreciation occurring and, thus, more accurate financial statements.

**2012-09 Consistent Application of Capitalization Policy**

During the testing of repairs and maintenance, several items were for the purchase of office equipment and furniture that exceeded Bridge House's current capitalization policy threshold of \$2,500. The treatment of property additions and repairs and maintenance should be followed consistently. We recommend that management follow current capitalization policies set by Bridge House. Management with the input from the Board of Directors may also consider raising the capitalization threshold from \$2,500 to \$5,000.

This letter is intended solely for the information and use of Bridge House Corporation and the Louisiana Legislative Auditor 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 letter is distributed by the Legislative Auditor as a public document.

June 6, 2013  
New Orleans, Louisiana

*Erickson, Krentel & Laporte LLP*

Certified Public Accountants

**BRIDGE HOUSE CORPORATION**  
**MANAGEMENT'S CORRECTIVE ACTION PLANS**  
**RELATIVE TO THE MANAGEMENT LETTER COMMENTS**  
**DECEMBER 31, 2012**

June 6, 2013

Louisiana Legislative Auditor

Bridge House Corporation respectfully submits the following corrective action plan for the year ended December 31, 2012.

Name and address of independent public accounting firm:

Ericksen Krentel & LaPorte L.L.P.  
4227 Canal Street  
New Orleans, LA 70119

Audit Period: January 1, 2012 – December 31, 2012

The management letter comments from the December 31, 2012 management letter are discussed below. The management letter comments are numbered consistently with the number assigned in the letter.

**MANAGEMENT LETTER COMMENTS**

**2012-05 Investigate Differences between the Bank Statement and the General Ledger**

**Recommendation:** As of December 31, 2012, bank account reconciliations were prepared for the operating account and the payroll account, however, the account balances did not agree to the general ledger. We recommend that the bank reconciliations be reviewed for accuracy and completeness on a timely basis by the CFO. The review should include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents. The composition of unreconciled differences should be determined and followed up on, and any journal entries deemed necessary as a result be recorded. If necessary, the accounting clerk who prepares the reconciliations should be given additional training and instruction on how to prepare them accurately and completely.

**Response:** The Chief Financial Officer will review bank reconciliations on or before the 15<sup>th</sup> of the following month for mechanical accuracy and will trace reconciling items to relevant source documents, and sign off on the bank reconciliation as proof of review. No adjustments will be made to back to prior months cash accounts without the bank reconciliation being adjusted for necessary changes.

**2012-06 Improve the Reporting Controls over Investments**

**Recommendation:** All investment activity is currently recorded in one income account. The nature and volume of information required for financial statement preparation and note disclosure necessitates that investment activities be recorded separately by type. Interest and dividend income should be reported separately from unrealized gains/losses and separately from realized gains/losses.

**Response:** The Chief Financial Officer will reconcile the investment activity on a monthly basis and separate all activity by type when recording the activity in the general ledger.

**BRIDGE HOUSE CORPORATION**  
**MANAGEMENT'S CORRECTIVE ACTION PLANS**  
**RELATIVE TO THE MANAGEMENT LETTER COMMENTS**  
**DECEMBER 31, 2012**

**2012-07 Bill of Sale on Used Cars**

**Recommendation:** During audit testing, it was noted that numerous bill of sales to companies and individuals were not signed. To maintain adequate documentation for the sale of used cars, all bill of sales should be signed by the purchaser and seller.

**Response:** Effective immediately, all bill of sales will be signed by the purchaser and used car manager or his assignee prior to the automobile(s) leaving the Bridge House used car lot. The Accounting Assistant will be responsible for reviewing each bill of sale for the proper signatures.

**2012-8 Review Useful Lives for Leasehold Improvements on Leased Property**

**Recommendation:** Bridge House leases property at various locations and leasehold improvements performed at these locations are capitalized when incurred. We recommend that the remaining book life of these leasehold improvements be compared to the estimated actual remaining life of the related lease agreement. If there is a material difference, consideration should be given to changing the remaining useful life. This should result in a more accurate reflection of the actual depreciation occurring and, thus, more accurate financial statements.

**Response:** The Chief Financial Officer will review all lease documents for leased property and adjust the remaining book life of the leasehold improvements to the actual remaining life of the lease agreement.


**2012-9 Consistent Application of Capitalization Policy**

**Recommendation:** During the testing of repairs and maintenance, several items were for the purchase of office equipment and furniture that exceeded Bridge House's current capitalization policy threshold of \$2,500. The treatment of property additions and repairs and maintenance should be followed consistently. We recommend that management follow current capitalization policies set by Bridge House. Management with input from the Board of Directors may also consider raising the capitalization threshold from \$2,500 to \$5,000.

**Response:** Management with the input from the Board of Directors will review the capitalization policy and considering raising the threshold as recommend. Should management deem the current threshold appropriate, the Chief Financial Officer will be diligent in applying consistent treatment to property additions and repairs and maintenance expense.

If there are any questions regarding this plan, please contact Else Pedersen, Chief Executive Officer, at (504) 821-7152.

Sincerely,

  
\_\_\_\_\_  
Signature  
C.E.O.  
\_\_\_\_\_  
Title