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*Financial Report*

*Crossroads Louisiana, Inc., and Subsidiary*

*June 30, 2005*

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Release Date 4-12-06

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Bourgeois Bennett

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,  
Crossroads Louisiana, Inc., and Subsidiary,  
New Orleans, Louisiana.

We have audited the accompanying consolidated statements of financial position of Crossroads Louisiana, Inc., and Subsidiary (a nonprofit organization) as of June 30, 2005 and 2004, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Crossroads Louisiana, Inc., and Subsidiary as of June 30, 2005 and 2004, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2005, on our consideration of the Organization's internal control over financial reporting and 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 and should be considered in assessing the results of our audit.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, Louisiana,  
December 28, 2005, except  
for the Note 16, as to  
which the date is February 22, 2006.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

### **Crossroads Louisiana, Inc., and Subsidiary**

June 30, 2005 and 2004

#### ASSETS

	<u>2005</u>	<u>2004</u>
<b>Current</b>		
Cash and cash equivalents	\$ 212,875	\$ 279,777
Accounts receivable	163,943	198,097
Advances to officers	69,288	99,971
Advances to affiliates:		
The Saint Charles, Inc.	125,707	102,933
Job Link, Inc.	119,076	102,001
Other receivables	30,801	27,655
Prepaid expenses	45,436	27,901
	<u>767,126</u>	<u>838,335</u>
Total current assets		
	<u>791,328</u>	<u>653,628</u>
<b>Investments</b>		
	<u>260,166</u>	<u>212,274</u>
<b>Property and Equipment, net of accumulated depreciation</b>		
	<u>191,045</u>	<u>191,045</u>
<b>Other Assets</b>		
Note receivable - The Saint Charles, Inc.	191,045	191,045
Deposits	1,417	1,417
	<u>192,462</u>	<u>192,462</u>
Total other assets		
	<u>\$ 2,011,082</u>	<u>\$ 1,896,699</u>
Total assets		

See notes to consolidated financial statements.

**LIABILITIES AND NET ASSETS**

	<u>2005</u>	<u>2004</u>
<b>Current Liabilities</b>		
Notes payable - lines of credit	\$ 31,670	\$ 54,000
Accounts payable	42,277	57,436
Accrued expenses:		
Salaries and payroll taxes	18,578	85,874
Retirement plan contribution	16,925	26,880
Other	6,343	25,441
Insurance	5,964	10,052
	<u>121,757</u>	<u>259,683</u>
<b>Long-Term Liabilities</b>		
Deferred compensation	637,537	637,537
Deferred severance pay	37,989	67,769
	<u>675,526</u>	<u>705,306</u>
Total long-term liabilities	<u>675,526</u>	<u>705,306</u>
Total liabilities	797,283	964,989
<b>Net Assets</b>		
Unrestricted	<u>1,213,799</u>	<u>931,710</u>
Total liabilities and net assets	<u>\$ 2,011,082</u>	<u>\$ 1,896,699</u>

**CONSOLIDATED STATEMENTS OF ACTIVITIES****Crossroads Louisiana, Inc., and Subsidiary**

For the years ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b>Support and Revenues</b>		
Government fees for services	\$ 2,667,934	\$ 2,580,615
Tenant rents	135,375	146,215
Investment income	85,611	19,006
Contributions	1,360	-
Miscellaneous income	21,827	4,687
	<u>2,912,107</u>	<u>2,750,523</u>
<b>Expenses</b>		
Program services:		
Olivier Street Program	108,692	113,419
Arts Street Program	21,677	102,336
State Street Program	389,006	373,642
Toledano Street Program	238,895	229,736
Timberwood Drive Program	123,723	118,727
Nunez Street Program	337,209	340,079
Hancock Street Program	296,332	281,269
RHS Program	369,824	315,758
St. Charles Place Program	299,347	327,200
	<u>2,184,705</u>	<u>2,202,166</u>
Supporting services:		
Management and general	445,313	513,131
	<u>2,630,018</u>	<u>2,715,297</u>
<b>Increase In Unrestricted Net Assets</b>	282,089	35,226
<b>Net Assets</b>		
Beginning of year	<u>931,710</u>	<u>896,484</u>
End of year	<u>\$ 1,213,799</u>	<u>\$ 931,710</u>

See notes to consolidated financial statements.

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**Crossroads Louisiana, Inc., and Subsidiary**

For the year ended June 30, 2005

	Program Services				
	Olivier Street Program	Arts Street Program	State Street Program	Toledano Street Program	Timberwood Drive Program
Salaries	\$ 64,530	\$ 14,460	\$ 168,247	\$ 91,178	\$ 73,099
Employee benefits:					
Insurance	3,226	256	10,656	4,943	3,585
Retirement plan	37	(453)	1,982	1,746	2,054
Payroll taxes	5,367	1,181	13,948	7,592	6,112
Deferred compensation	-	-	-	-	-
Bed fees	-	-	27,769	27,769	-
Depreciation	3,300	208	4,960	4,794	4,254
Food	4,048	817	15,773	4,729	4,172
Occupancy:					
Repairs, building	875	-	2,184	2,607	5,621
Repairs, furniture	892	-	488	609	-
Maintenance	-	600	-	-	-
Contract services	-	-	1,808	1,601	1,232
Rent	14,929	2,050	24,000	15,000	9,000
Utilities	4,555	1,074	7,325	7,815	3,294
Insurance	-	-	-	-	-
Local transportation	-	482	19,237	11,942	242
Miscellaneous	3,187	355	4,402	3,839	2,901
Professional services	1,093	-	3,658	2,703	-
Supplies	1,838	371	14,768	8,695	7,052
Telephone	793	276	1,310	1,581	1,083
Vocational program	-	-	66,468	39,730	-
Interest	22	-	23	22	22
<b>Total expenses</b>	<b>\$ 108,692</b>	<b>\$ 21,677</b>	<b>\$ 389,006</b>	<b>\$ 238,895</b>	<b>\$ 123,723</b>

See notes to consolidated financial statements.

Program Services				Support Services		
Nunez Street Program	Hancock Street Program	RHS Program	St. Charles Place Program	Totals	Management & General	Totals
\$ 154,321	\$ 113,878	\$ 299,764	\$ 217,123	\$ 1,196,600	\$ 216,283	\$ 1,412,883
9,055	6,647	20,051	14,596	73,015	16,736	89,751
4,415	2,633	5,478	(484)	17,408	9,825	27,233
12,861	9,490	24,652	18,013	99,216	16,457	115,673
-	-	-	-	-	9,500	9,500
27,769	27,769	-	-	111,076	-	111,076
3,298	6,933	261	3,681	31,689	7,890	39,579
7,099	6,142	772	8,711	52,263	-	52,263
2,831	3,455	-	2,124	19,697	5,107	24,804
2,257	937	-	1,822	7,005	3,429	10,434
-	-	-	-	600	2,445	3,045
1,328	1,477	-	6,448	13,894	2,910	16,804
15,600	15,600	12,000	-	108,179	14,391	122,570
6,500	5,068	-	-	35,631	1,730	37,361
-	-	-	-	-	22,522	22,522
13,518	12,873	2,183	9,843	70,320	3,577	73,897
10,686	10,344	4,297	2,019	42,030	38,210	80,240
4,985	4,653	-	3,042	20,134	57,928	78,062
8,960	16,668	240	8,648	67,240	6,220	73,460
1,762	1,910	104	3,761	12,580	7,996	20,576
49,942	49,833	-	-	205,973	-	205,973
22	22	22	-	155	2,157	2,312
<u>\$ 337,209</u>	<u>\$ 296,332</u>	<u>\$ 369,824</u>	<u>\$ 299,347</u>	<u>\$ 2,184,705</u>	<u>\$ 445,313</u>	<u>\$ 2,630,018</u>

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

### Crossroads Louisiana, Inc., and Subsidiary

For the year ended June 30, 2004

	Program Services				
	Olivier Street Program	Arts Street Program	State Street Program	Toledano Street Program	Timberwood Drive Program
Salaries	\$ 63,373	\$ 65,049	\$ 165,157	\$ 88,806	\$ 70,618
Employee benefits:					
Insurance	2,895	2,993	9,942	4,198	2,953
Retirement plan	2,095	1,506	10,725	3,120	3,805
Payroll taxes	5,333	5,460	13,804	7,485	5,930
Deferred compensation	-	-	-	-	-
Bed fees	-	-	23,914	24,002	-
Depreciation	4,116	996	5,235	4,514	3,419
Food	4,742	4,153	14,678	7,156	3,598
Occupancy:					
Repairs, building	3,213	-	1,943	5,033	1,726
Repairs, furniture	-	1,151	420	662	358
Maintenance	-	1,024	-	-	-
Contract services	-	-	1,947	1,319	1,478
Rent	14,929	9,000	24,000	14,750	9,000
Utilities	5,416	3,839	6,456	7,041	3,123
Insurance	-	-	-	-	-
Local transportation	-	1,722	11,232	10,529	412
Miscellaneous	1,816	1,248	3,602	1,401	2,467
Professional services	1,451	-	4,947	3,231	505
Supplies	3,219	2,753	9,546	6,103	8,403
Telephone	821	1,442	1,275	1,629	932
Vocational program	-	-	64,819	38,757	-
Interest	-	-	-	-	-
 Total expenses	 <u>\$ 113,419</u>	 <u>\$ 102,336</u>	 <u>\$ 373,642</u>	 <u>\$ 229,736</u>	 <u>\$ 118,727</u>

See notes to consolidated financial statements.

Program Services				Support Services		
Nunez Street Program	Hancock Street Program	RHS Program	St. Charles Place Program	Totals	Management & General	Totals
\$ 152,800	\$ 116,935	\$ 262,570	\$ 240,861	\$ 1,226,169	\$ 215,751	\$ 1,441,920
8,694	6,022	16,273	15,798	69,768	17,428	87,196
10,187	4,290	6,723	2,507	44,958	16,049	61,007
12,827	9,856	21,952	20,179	102,826	16,421	119,247
-	-	-	-	-	71,874	71,874
23,226	23,991	-	-	95,133	-	95,133
3,457	4,327	261	3,681	30,006	12,948	42,954
9,445	6,324	40	10,936	61,072	-	61,072
3,532	3,520	-	4,813	23,780	4,833	28,613
330	-	-	1,517	4,438	1,313	5,751
-	-	-	-	1,024	321	1,345
1,589	1,893	-	5,381	13,607	1,190	14,797
15,600	15,600	-	-	102,879	14,391	117,270
5,978	5,580	-	-	37,433	1,592	39,025
-	-	-	-	-	26,296	26,296
16,223	10,353	2,744	8,588	61,803	1,223	63,026
5,215	7,482	2,873	1,736	27,840	33,123	60,963
8,717	4,210	105	1,178	24,344	59,552	83,896
12,385	10,992	1,172	6,296	60,869	9,901	70,770
1,937	1,344	1,045	3,700	14,125	6,679	20,804
47,937	48,550	-	-	200,063	-	200,063
-	-	-	29	29	2,246	2,275
<u>\$ 340,079</u>	<u>\$ 281,269</u>	<u>\$ 315,758</u>	<u>\$ 327,200</u>	<u>\$ 2,202,166</u>	<u>\$ 513,131</u>	<u>\$ 2,715,297</u>

**CONSOLIDATED STATEMENTS OF CASH FLOWS****Crossroads Louisiana, Inc., and Subsidiary**

For the years ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b>Cash Flows From Operating Activities</b>		
Increase in unrestricted net assets	\$ 282,089	\$ 35,226
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	39,579	42,954
Gain on sale of property and equipment	(6,498)	-
Unrealized (gain) loss on investments	31,930	(40,031)
Realized (gain) loss on sales of investments, net	(110,149)	26,040
(Increase) decrease in operating assets:		
Accounts receivable	34,154	(80,518)
Advances to officers, net (advances) repayments	30,683	(64,285)
Other receivables	(3,146)	(18,910)
Prepaid expenses	(17,535)	(1,581)
Increase (decrease) in operating liabilities:		
Accounts payable	(15,159)	18,822
Accrued expenses	(100,437)	20,041
Deferred severance pay plan payable	(29,780)	71,874
Net cash provided by operating activities	<u>135,731</u>	<u>9,632</u>
<b>Cash Flows Used In Investing Activities</b>		
Purchases of property and equipment	(89,415)	(24,925)
Proceeds from sale of equipment	8,442	-
Advances to affiliates, net (advances)	(39,849)	(33,990)
Purchases of investments	(1,412,296)	(1,118,440)
Proceeds from sales of investments	1,352,815	973,625
Net cash used in investing activities	<u>(180,303)</u>	<u>(203,730)</u>
<b>Cash Flows From Financing Activities</b>		
Advances from officers, net (repayments)	-	(42,698)
Net borrowings (repayments) on lines of credit	(22,330)	23,422
Net cash used in financing activities	<u>(22,330)</u>	<u>(19,276)</u>
<b>Net Decrease In Cash</b>	(66,902)	(213,374)
<b>Cash</b>		
Beginning of year	<u>279,777</u>	<u>493,151</u>
End of year	<u>\$ 212,875</u>	<u>\$ 279,777</u>

See notes to consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Crossroads Louisiana, Inc., and Subsidiary

June 30, 2005 and 2004

**Note 1 - NATURE OF ACTIVITIES**

Crossroads Louisiana, Inc., and Subsidiary (the Organization) is a nonprofit corporation which provides residential treatment services for the psychologically handicapped in the New Orleans area and is substantially funded by the State of Louisiana and Federal Medicaid payments.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Organization and Income Taxes**

The Organization is a nonprofit corporation organized under the laws of the State of Louisiana in 1981. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is also exempt from Louisiana income tax under the authority of R.S.47:121(5).

**b. Basis of Accounting**

The consolidated financial statements of the Organization are prepared on the accrual basis of accounting generally accepted in the United States of America.

**c. Financial Statement Presentation**

Financial statement presentation follows the recommendations of the Statement of Financial Accounting Standards, (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, the Organization classifies its net assets, revenues, and expenses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c. Financial Statement Presentation (Continued)**

**Unrestricted Net Assets** - Net grants and other revenues and expenditures of funds for the general operation of its facilities.

**Temporarily Restricted Net Assets** - Grants and other revenues specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period. There were no temporarily restricted net assets at June 30, 2005 or 2004.

**Permanently Restricted Net Assets** - There were no permanently restricted net assets at June 30, 2005 or 2004.

**d. Investments**

Investments are carried at fair market value based on quoted market prices for the investments.

**e. Consolidated Financial Statements**

Following the guidance of Statement of Position 94-3, the financial statements include the accounts of the Organization and the accounts of Cher-Ami Home of Gretna, LA., Inc. The Organization obtained control of the Cher-Ami Home early in the 1996 fiscal year and has assumed control of its operations. All significant inter-company transactions and accounts are eliminated in consolidation. In the Consolidated Statements of Functional Expenses, the operations of Cher-Ami Homes are labeled Hancock Street Program.

**f. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**g. Allowance For Doubtful Accounts**

The Organization provides services under contracts entered into with various state and local agencies. Accounts receivable includes amounts billed under these contracts and amounts due from patients for services provided. A major portion of the accounts receivable balance as of June 30, 2005 and 2004 is from the state of Louisiana Department of Health and Hospitals.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts and adjustments to amounts billed through a valuation allowance based on its assessment of the current status of individual receivables from contracts and Medicaid. At June 30, 2005 and 2004, approximately \$62,500 and \$60,000, respectively, has been applied against accounts receivable to reflect possible billing adjustments.

**h. Property and Equipment**

Property and equipment are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Donated property is recorded at its fair market value at the date of donation.

**i. Allocated Expenses**

The cost of providing the various programs and other activities are summarized in the consolidated statement of functional expenses. Expenses by function have been allocated among program and supporting services classifications based on State of Louisiana Rate Setting classifications. Shared expenses are allocated among programs based on portion of direct expenses by program to total expenses.

**j. Cash and Cash Equivalents**

Cash and cash equivalents consist primarily of operating funds maintained in checking and operating accounts. Any investments in money market accounts, certificate of deposit or other investments with maturities of three months or less would also be considered cash and cash equivalents, except for money market funds maintained in the Fidelity Investments Brokerage account which are reported as investments.

**Note 3 - ADVANCES TO OFFICERS**

The amount due from officers represents unsecured advances to officers. No interest payments are required.

**Note 4 - INVESTMENT'S**

Investments include amounts held in investment accounts at McDonald Financial Group and at Fidelity Investments, Inc. Details of investments are as follows:

<u>Investments By Type</u>	June 30, 2005	
	Cost	Market Value
Mutual funds	\$ 33,419	\$ 28,490
Stocks	738,516	761,900
Money market funds	938	938
Total investments	\$772,873	\$791,328
<u>Investments By Type</u>	June 30, 2004	
	Cost	Market Value
Mutual funds	\$ 69,346	\$ 68,968
Stocks	482,498	533,260
Money market funds	51,400	51,400
Total investments	\$603,244	\$653,628

**Note 4 - INVESTMENT'S (Continued)**

The market values and costs of investments held at June 30, 2005 and 2004 are as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Market Value Over Cost</u>
Balances at June 30, 2005	<u>\$772,874</u>	<u>\$791,328</u>	\$ 18,454
Balances at June 30, 2004	<u>\$603,244</u>	<u>\$653,628</u>	<u>50,384</u>
Decrease in unrealized appreciation during 2005			<u>\$(31,930)</u>

Investment return for the year ended June 30, 2005 and 2004 are summarized as follows:

	<u>2005</u>	<u>2004</u>
Interest and dividend income	\$ 7,392	\$ 5,015
Unrealized gain (loss)	(31,930)	40,031
Realized (gain) loss, net	<u>110,149</u>	<u>(26,040)</u>
Net investment income	<u>\$ 85,611</u>	<u>\$ 19,006</u>

**Note 5 - PROPERTY AND EQUIPMENT**

At June 30, 2005 and 2004, the cost of property and equipment and accumulated depreciation are as follows:

	<u>2005</u>	<u>2004</u>	<u>Depreciation Annual Rates</u>
Equipment, furniture, and fixtures	\$ 294,381	\$ 282,326	5-20%
Leasehold improvements	318,876	321,415	20%
Vehicles	<u>140,972</u>	<u>90,060</u>	20%
	754,229	693,801	
Less accumulated depreciation	<u>(494,063)</u>	<u>(481,527)</u>	
Net property and equipment	<u>\$ 260,166</u>	<u>\$ 212,274</u>	

**Note 5 - PROPERTY AND EQUIPMENT (Continued)**

Depreciation expense charged to income was \$39,579 and \$42,954 for 2005 and 2004, respectively.

**Note 6 - NOTE RECEIVABLE**

On December 15, 2003, the Organization received a note from The Saint Charles, Inc. an affiliate. The note receivable consists of a 5% note due in monthly installments of \$1,120, beginning on January 31, 2006, including interest to December 2036. Interest will accrue from the date of the note.

Principal maturities of the note receivable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 1,492
2007	3,007
2008	3,133
2009	3,322
2010	3,492
Later years	<u>176,599</u>
Total	<u>\$191,045</u>

Interest income of \$10,042 and \$4,394 was earned on this note for 2005 and 2004, respectively.

**Note 7 - NOTES PAYABLE - LINES OF CREDIT**

The Organization is obligated to Hibernia National Bank under a line of credit agreement with an outstanding balance of \$31,670 as of June 30, 2005. Interest is payable monthly under the line at 8.25% per annum.

**Note 8 - LEASES**

The Organization leases its administrative and residential facilities under the following operating leases:

The Olivier Street facility is leased from the wife of the Executive Director on a month to month basis for \$1,866 per month. Total rent expense is \$22,394 for each of the years ended June 30, 2005 and 2004. One-third of the facility is used for administration and the other two-thirds as a residential facility.

The Nunez Street facility is leased from the wife of the Executive Director for \$1,300 per month. The lease began July 1, 2002 and ends on June 30, 2008. The lease has an option for renewal for 5 years at a monthly rental of \$1,495. Total rent expense is \$15,600 for each year ended June 30, 2005 and 2004.

The Hancock Street residential facility is leased from the wife of the Executive Director on a monthly basis for \$1,300 per month. The lease term began on July 1, 2002 and ends on June 30, 2008. The lease has an option for renewal for 5 years at a monthly rental of \$1,495. Total rent expense is \$15,600 for each year ended June 30, 2005 and 2004.

The RHS Program leases a facility owned by Job Link, Inc. for \$1,000 per month on a month-to-month basis, beginning on July 1, 2004. Rent expense for the year ended June 30, 2005 was \$12,000.

The State Street residential facility is leased from an officer of the Organization for \$2,000 per month. The lease term began on March 1, 2003, and ends on February 28, 2008. The lease has an option for renewal for five years at a monthly rental of \$2,100. Total rent expense is \$24,000 for each year ended June 30, 2005 and 2004.

The Toledano Street residential facility is leased for a five year term commencing September 1, 2003, and ending August 31, 2008. The monthly payment is \$1,250. Total rent expense is \$15,000 and \$14,750 for the years ended June 30, 2005 and 2004, respectively.

The Timberwood Drive facility is leased from the wife of the Executive Director for \$750 per month. The lease began on July 1, 2002 and ends June 30, 2008. The lease has a renewal option for 5 years at a monthly rental of \$863. Total rent expense is \$9,000 for each year ended June 30, 2005 and 2004.

**Note 8 - LEASES (Continued)**

The Arts Street residential facility was leased on a month-to-month basis for \$750 per month. This facility was abandoned in September 2004 and the residents were moved to other facilities. Total rent expense was \$2,050 and \$9,000 for the years ended June 30, 2005 and 2004, respectively.

Rent expense related to these leases totaled \$103,644 and \$110,344 for the years ended June 30, 2005 and 2004, respectively.

The future minimum lease payments under the above described leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 79,800
2007	79,800
2008	71,800
2009	<u>2,600</u>
Total	<u>\$234,000</u>

**Note 9 - RETIREMENT PLAN**

The Organization has a non-contributory defined contribution retirement plan which covers substantially all of its employees.

Contributions to the defined contribution retirement plan are determined at the discretion of the Organization's Board of Directors. Contributions were determined to be 5% of each employee's compensation for the years ended June 30, 2005 and 2004. The expense totaled \$27,233 and \$61,007 for the years 2005 and 2004.

**Note 10 - OFFICERS COMPENSATION**

Officer's compensation is as follows for the years ended June 30, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Executive Director	\$ 40,000	\$ 40,000
Assistant Director	<u>77,181</u>	<u>80,148</u>
Totals	<u>\$117,181</u>	<u>\$120,148</u>

**Note 11 - RELATED PARTY TRANSACTIONS**

The Organization uses Job Link, Inc. to provide development services for group home programs in accordance with State of Louisiana regulations. Job Link, Inc. is owned by members of the Organization's Board of Directors. The Organization incurred approximately \$199,000 and \$200,000 in 2005 and 2004, respectively, in fees related to these services. The Organization paid rent of \$12,000 on a building owned by Job Link, Inc. during the year ended June 30, 2005 to operate the RHS Program. At June 30, 2005 and 2004, \$119,076 and \$102,001, respectively, is due from Job Link, Inc. and is reported as advances to affiliates.

The Organization has agreed to assist with the operation of The Saint Charles, Inc. (St. Charles Place), which is a brain and spinal injury center owned by the Executive Director of the Organization. The Saint Charles, Inc. has agreed to reimburse the Organization for all of the program costs related to the Center plus a portion of the Organization's management and general expenses. The Saint Charles, Inc. began operations in March 2002. For the years ended June 30, 2005 and 2004, the Organization billed The Saint Charles, Inc. \$299,347 and \$327,200, respectively, for program costs and \$53,569 and \$70,486, respectively, for management and general expenses.

The Organization is owed a note receivable from The Saint Charles, Inc. as described in Note 6.

At June 30, 2005 and 2004, accounts receivable due from The Saint Charles, Inc. totaled \$125,707 and \$102,933, respectively, related to current operating expenses.

The Organization also leases some property and equipment from related parties described in Note 8. Total rent expense for these leases totaled \$86,594 for each year ended 2005 and 2004.

**Note 11 - RELATED PARTY TRANSACTIONS (Continued)**

During September 1995, the Organization took over control of the operations of the Cher-Ami Homes of Gretna, LA., Inc. (Cher-Ami). Cher-Ami's major assets consisted of its contract with the State of Louisiana and the related accounts receivable. At June 30, 2005, Cher-Ami had no debts outstanding. The intercompany receivable balance of \$161,196 at June 30, 2005 and 2004 has been eliminated in consolidation.

**Note 12 - SIGNIFICANT CONTRACTS AND GRANTS**

For the years ended June 30, 2005 and 2004, approximately \$2,315,000 and \$2,183,000, respectively, of government fees for services was from the State of Louisiana Department of Health and Hospitals acting as a Medicaid fiscal intermediary. These programs are reimbursed on a per diem rate based on costs and budgets, received annually by the State of Louisiana. The State provides annual contracts to the Organization which grant the State the right to audit program accounts and activities. The State, acting as the Medicaid intermediary for Medicaid patients, reimburses services rendered to Medicaid program beneficiaries under an allowable cost reimbursement formula that is subject to audit and retroactive adjustments. Management believes that the Organization is in compliance with the provisions of these contracts and grants and that the findings of an audit, if any, would not have a material impact on the financial statements.

**Note 13 - DEFERRED COMPENSATION AGREEMENT**

The Organization entered into a deferred compensation agreement with one of its officers effective July 1, 1993. The agreement provides that upon reaching age 65, the officer will receive monthly compensation commencing with retirement and continuing for the rest of his life. In the event of his death, prior to normal life expectancy at retirement (age 65), the participant's designated beneficiary shall be paid a death benefit equal to the present value of the future payments to which the participant would have been entitled. If the retired participant dies before the end of his life expectancy, his beneficiary will receive a death benefit equal to the present value for the installments that the participant would have received if he had lived to his life expectancy. At June 30, 2004, the agreement was amended to discontinue future funding and to freeze the amount accumulated at that date. Accordingly, no contribution was accrued for the year ended June 30, 2005. The amount charged to expense was \$71,874 for the year ended June 30, 2004. The total liability under the agreement as of June 30, 2005 and 2004 is approximately \$638,000.

**Note 13 - DEFERRED COMPENSATION AGREEMENT (Continued)**

The Organization also has an employment agreement with one of its officers which requires the total in the Severance Pay account to be paid to her or her beneficiary. The Organization sets aside in a segregated corporate account the lesser of \$7,500 or 20% of the officer's regular salary into this Severance Pay account. The amount charged to expense was \$9,500 for the year ended June 30, 2005. This officer received cash payments of \$9,500 in lieu of the transfer to the Severance Pay account and increase in the deferred severance pay liability for the years ended June 30, 2005 and 2004. Other amounts were paid to the officer and treated as compensation during the year ended June 30, 2005. These disbursements were approved by the executive director.

**Note 14 - CONCENTRATION OF CREDIT RISK**

The Organization maintains its cash accounts in various financial institutions where the accounts are insured by Federal Deposit Insurance Corporation up to \$100,000 per bank. At June 30, 2005, the Organization has approximately \$91,000 in excess of the insured limits.

**Note 15 - CASH FLOW INFORMATION**

Cash payments of interest during the years ended June 30, 2005 and 2004 are \$2,312 and \$2,275, respectively.

During the year ended June 30, 2004, \$191,045 was reclassified from advances to affiliates to notes receivable due to a legal agreement.

**Note 16 - CONTINGENCY**

On August 29, 2005, New Orleans and the surrounding area suffered a natural disaster, Hurricane Katrina. The Organization evacuated one hundred twenty clients and staff from New Orleans on August 27, 2005. All clients from the Intermediate Care Facility for the Mentally Retarded (ICF/MR) homes were evacuated as were the clients in the mental health and Supervised Independent Living (SIL) programs.

**Note 16 - CONTINGENCY (Continued)**

The Organization relocated to Nashville, TN and was welcomed by the State of Tennessee, Department of Health and Hospitals which provided housing, medical/nursing services and support supplemental direct care staff for five months. Services for the clients were uninterrupted during this period of time.

In New Orleans, damage was sustained by two ICF/MR homes. The Toledano Street home has been reopened. The State Street home will require significant renovations and will be reopened later in 2006. In the meantime, clients from the State Street home are temporarily located in the Olivier Street home.

Management believes that there will be no significant effect on the future operations and finances of the Organization.

**SUPPLEMENTARY INFORMATION**



Bourgeois Bennett

**INDEPENDENT AUDITOR'S REPORT**  
**ON THE SUPPLEMENTARY INFORMATION**

To the Board of Directors  
Crossroads Louisiana, Inc., and Subsidiary,  
New Orleans, Louisiana

Our audits were performed for the purpose of forming an opinion on the basic consolidated financial statements of Crossroads Louisiana, Inc., and Subsidiary taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated basic financial statements taken as a whole.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, Louisiana,  
December 28, 2005.

**CONSOLIDATED STATEMENT OF ACTIVITIES AND  
FUNCTIONAL EXPENSES BY PROGRAM**

**Crossroads Louisiana, Inc., and Subsidiary**

For the year ended June 30, 2005

	Program Services				
	Oliver Street Program	Arts Street Program	State Street Program	Toledano Street Program	Timberwood Drive Program
<b>Support and Revenues</b>					
Government fees for services	\$ 110,491	\$ 25,510	\$ 435,050	\$ 300,938	\$ 151,906
Rents	9,436	3,125	37,477	28,786	-
Investment income	-	-	-	-	-
Contributions	350	350	-	-	660
Other	65	(1,933)	70	8,442	67
<b>Total support and revenues</b>	<b>120,342</b>	<b>27,052</b>	<b>472,597</b>	<b>338,166</b>	<b>152,633</b>
<b>Expenses</b>					
Salaries	64,530	14,460	168,247	91,178	73,099
Employee benefits:					
Workers compensation	3,226	256	10,656	4,943	3,585
Pension	37	(453)	1,982	1,746	2,054
Payroll taxes	5,367	1,181	13,948	7,592	6,112
Deferred Compensation	-	-	-	-	-
Bed fees	-	-	27,769	27,769	-
Depreciation	3,300	208	4,960	4,794	4,254
Food	4,048	817	15,773	4,729	4,172
Occupancy:					
Repairs - Buildings	875	-	2,184	2,607	5,621
Repairs - Furniture	892	-	488	609	-
Maintenance	-	600	-	-	-
Contract services	-	-	1,808	1,601	1,232
Rent	14,929	2,050	24,000	15,000	9,000
Utilities	4,555	1,074	7,325	7,815	3,294
Insurance	-	-	-	-	-
Local transportation	-	482	19,237	11,942	242
Miscellaneous	3,187	355	4,402	3,839	2,901
Professional Services	1,093	-	3,658	2,703	-
Supplies	1,838	371	14,768	8,695	7,052
Telephone	793	276	1,310	1,581	1,083
Vocational program	-	-	66,468	39,730	-
Interest	22	-	23	22	22
<b>Total direct program expenses</b>	<b>108,692</b>	<b>21,677</b>	<b>389,006</b>	<b>238,895</b>	<b>123,723</b>
Management and general expense allocation	21,581	4,304	77,237	47,433	35,873
<b>Increase (decrease) in unrestricted net assets</b>	<b>\$ (9,931)</b>	<b>\$ 1,071</b>	<b>\$ 6,354</b>	<b>\$ 51,838</b>	<b>\$ (6,963)</b>

Program Services				Support Services		
Nunez Street Program	Hancock Street Program	RHS Program	St. Charles Place Program	Totals	Management & General	Totals
\$ 409,535	\$ 334,233	\$ 547,395	\$ 352,876	\$ 2,667,934	\$ -	\$ 2,667,934
22,304	34,247	-	-	135,375	-	135,375
-	-	-	-	-	85,611	85,611
-	-	-	-	1,360	-	1,360
130	-	87	40	6,968	14,859	21,827
<u>431,969</u>	<u>368,480</u>	<u>547,482</u>	<u>352,916</u>	<u>2,811,637</u>	<u>100,470</u>	<u>2,912,107</u>
154,321	113,878	299,764	217,123	1,196,600	216,283	1,412,883
9,055	6,647	20,051	14,596	73,015	16,736	89,751
4,415	2,633	5,478	(484)	17,408	9,825	27,233
12,861	9,490	24,652	18,013	99,216	16,457	115,673
-	-	-	-	-	9,500	9,500
27,769	27,769	-	-	111,076	-	111,076
3,298	6,933	261	3,681	31,689	7,890	39,579
7,099	6,142	772	8,711	52,263	-	52,263
2,831	3,455	-	2,124	19,697	5,107	24,804
2,257	937	-	1,822	7,005	3,429	10,434
-	-	-	-	600	2,445	3,045
1,328	1,477	-	6,448	13,894	2,910	16,804
15,600	15,600	12,000	-	108,179	14,391	122,570
6,500	5,068	-	-	35,631	1,730	37,361
-	-	-	-	-	22,522	22,522
13,518	12,873	2,183	9,843	70,320	3,577	73,897
10,686	10,344	4,297	2,019	42,030	38,210	80,240
4,985	4,653	-	3,042	20,134	57,928	78,062
8,960	16,668	240	8,648	67,240	6,220	73,460
1,762	1,910	104	3,761	12,580	7,996	20,576
49,942	49,833	-	-	205,973	-	205,973
22	22	22	-	155	2,157	2,312
<u>337,209</u>	<u>296,332</u>	<u>369,824</u>	<u>299,347</u>	<u>2,184,705</u>	<u>445,313</u>	<u>2,630,018</u>
<u>66,952</u>	<u>58,185</u>	<u>74,078</u>	<u>53,569</u>	<u>439,212</u>	<u>(439,212)</u>	<u>-</u>
<u>\$ 27,808</u>	<u>\$ 13,963</u>	<u>\$ 103,580</u>	<u>\$ -</u>	<u>\$ 187,720</u>	<u>\$ 94,369</u>	<u>\$ 282,089</u>

**CONSOLIDATED STATEMENT OF ACTIVITIES AND  
FUNCTIONAL EXPENSES BY PROGRAM**

**Crossroads Louisiana, Inc., and Subsidiary**

For the year ended June 30, 2004

	Program Services				
	Oliver Street Program	Arts Street Program	State Street Program	Toledano Street Program	Timberwood Drive Program
<b>Support and Revenues</b>					
Government fees for services	\$ 111,955	\$ 98,778	\$ 427,737	\$ 286,968	\$ 146,294
Rents	15,859	13,071	36,093	28,026	-
Investment income	-	-	-	-	-
Other	-	15	-	-	54
<b>Total support and revenues</b>	<b>127,814</b>	<b>111,864</b>	<b>463,830</b>	<b>314,994</b>	<b>146,348</b>
<b>Expenses</b>					
Salaries	63,373	65,049	165,157	88,806	70,618
Employee benefits:					
Workers compensation	2,895	2,993	9,942	4,198	2,953
Pension	2,095	1,506	10,725	3,120	3,805
Payroll taxes	5,333	5,460	13,804	7,485	5,930
Deferred Compensation	-	-	-	-	-
Bed fees	-	-	23,914	24,002	-
Depreciation	4,116	996	5,235	4,514	3,419
Food	4,742	4,153	14,678	7,156	3,598
Occupancy:					
Repairs - Buildings	3,213	-	1,943	5,033	1,726
Repairs - Furniture	-	1,151	420	662	358
Maintenance	-	1,024	-	-	-
Contract services	-	-	1,947	1,319	1,478
Rent	14,929	9,000	24,000	14,750	9,000
Utilities	5,416	3,839	6,456	7,041	3,123
Insurance	-	-	-	-	-
Local transportation	-	1,722	11,232	10,529	412
Miscellaneous	1,816	1,248	3,602	1,401	2,467
Professional services	1,451	-	4,947	3,231	505
Supplies	3,219	2,753	9,546	6,103	8,403
Telephone	821	1,442	1,275	1,629	932
Vocational program	-	-	64,819	38,757	-
Interest	-	-	-	-	-
<b>Total direct program expenses</b>	<b>113,419</b>	<b>102,336</b>	<b>373,642</b>	<b>229,736</b>	<b>118,727</b>
Management and general expense allocation	24,433	22,046	80,490	49,489	34,702
<b>Increase (decrease) in unrestricted net assets</b>	<b>\$ (10,038)</b>	<b>\$ (12,518)</b>	<b>\$ 9,698</b>	<b>\$ 35,769</b>	<b>\$ (7,081)</b>

## Schedule 2

Program Services				Support Services		
Nunez Street Program	Hancock Street Program	RHS Program	St. Charles Place Program	Totals	Management & General	Totals
\$ 379,810	\$ 321,662	\$ 409,724	\$ 397,687	\$ 2,580,615	\$ -	\$ 2,580,615
20,548	32,618	-	-	146,215	-	146,215
-	-	-	-	-	19,006	19,006
52	-	147	-	268	4,419	4,687
<u>400,410</u>	<u>354,280</u>	<u>409,871</u>	<u>397,687</u>	<u>2,727,098</u>	<u>23,425</u>	<u>2,750,523</u>
152,800	116,935	262,570	240,861	1,226,169	215,751	1,441,920
8,694	6,022	16,273	15,798	69,768	17,428	87,196
10,187	4,290	6,723	2,507	44,958	16,049	61,007
12,827	9,856	21,952	20,179	102,826	16,421	119,247
-	-	-	-	-	71,874	71,874
23,226	23,991	-	-	95,133	-	95,133
3,457	4,327	261	3,681	30,006	12,948	42,954
9,445	6,324	40	10,936	61,072	-	61,072
3,532	3,520	-	4,813	23,780	4,833	28,613
330	-	-	1,517	4,438	1,313	5,751
-	-	-	-	1,024	321	1,345
1,589	1,893	-	5,381	13,607	1,190	14,797
15,600	15,600	-	-	102,879	14,391	117,270
5,978	5,580	-	-	37,433	1,592	39,025
-	-	-	-	-	26,296	26,296
16,223	10,353	2,744	8,588	61,803	1,223	63,026
5,215	7,482	2,873	1,736	27,840	33,123	60,963
8,717	4,210	105	1,178	24,344	59,552	83,896
12,385	10,992	1,172	6,296	60,869	9,901	70,770
1,937	1,344	1,045	3,700	14,125	6,679	20,804
47,937	48,550	-	-	200,063	-	200,063
-	-	-	29	29	2,246	2,275
<u>340,079</u>	<u>281,269</u>	<u>315,758</u>	<u>327,200</u>	<u>2,202,166</u>	<u>513,131</u>	<u>2,715,297</u>
<u>73,260</u>	<u>60,591</u>	<u>68,020</u>	<u>70,487</u>	<u>483,518</u>	<u>(483,518)</u>	<u>-</u>
<u>\$ (12,929)</u>	<u>\$ 12,420</u>	<u>\$ 26,093</u>	<u>\$ -</u>	<u>\$ 41,414</u>	<u>\$ (6,188)</u>	<u>\$ 35,226</u>

**SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**



Bourgeois Bennett

**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,  
Crossroads Louisiana, Inc., and Subsidiary,  
New Orleans, Louisiana.

We have audited the consolidated financial statements of Crossroads Louisiana, Inc., and Subsidiary (a nonprofit organization) as of and for the year ended June 30, 2005, and have issued our report thereon dated December 28, 2005. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Crossroads Louisiana, Inc., and Subsidiary's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Crossroads Louisiana, Inc., and Subsidiary's ability to record, process, summarize and report financial data consistent with the assertions of management in the consolidated financial statements. The reportable condition is described in the accompanying schedule of findings and responses as item 05-1.

A material weakness is a reportable 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 caused by error or fraud 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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

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

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, Louisiana,  
December 28, 2005.

## SCHEDULE OF FINDINGS AND RESPONSES

Crossroads Louisiana, Inc., and Subsidiary

For the year ended June 30, 2005

### Section I - Summary of Auditor's Report

#### a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified?                    \_\_\_ yes    X no
- Reportable condition(s) identified that are not  
  considered to be material weakness                    X yes    \_\_\_ no

Noncompliance material to financial statements noted?    \_\_\_ yes    X no

#### b) Federal Awards

Crossroads Louisiana, Inc., and Subsidiary did not receive federal awards in excess of \$500,000 during the year ended June 30, 2005 and, therefore, is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

### Section II - Financial Statement Findings

#### Internal Control

**05-1 Criteria** - The internal control structure should be designed to provide for adequate segregation of duties to provide reasonable assurance that all transactions are being properly recorded in the accounting records.

**Condition** - The majority of the accounting functions of the Organization are performed by one person.

## **Section II - Financial Statement Findings (Continued)**

### **Internal Control (Continued)**

#### **05-1 (Continued)**

**Questioned Costs** - None

**Context** - Not applicable

**Effect** - A weak system of internal controls over financial reporting which may result in errors and fraud not being detected in a timely manner.

**Cause** - A limited number of employees qualified to assist in the accounting function.

**Recommendation** - We recommend the Organization consider having other personnel involved in the accounting function, although to employ such controls may not be cost beneficial.

**Views of responsible officials of the auditee when there is disagreement with the finding, to the extent practical** - None.

### **Compliance**

No compliance findings material to the financial statements were noted during the audit of the consolidated financial statements for the year ended June 30, 2005.

## **Section III - Federal Award Findings and Questioned Costs**

Not applicable.

**REPORTS BY MANAGEMENT**

**SCHEDULE OF PRIOR YEAR FINDINGS  
AND RESPONSES**

Crossroads Louisiana, Inc., and Subsidiary

For the year ended June 30, 2005

**Section I - Internal Control and Compliance Material to the Financial Statements**

**Internal Control**

No material weaknesses were reported during the audit of the consolidated financial statements for the year ended June 30, 2004.

**04-1 Recommendation** - We recommend the Organization consider having other personnel involved in the accounting function, although to employ such controls may not be cost beneficial.

**Management's Response** - The Organization's office has neither the qualified personnel nor the funds to hire additional personnel to assist in the accounting functions. Unresolved, see finding 05-1.

**Compliance**

No compliance findings material to the financial statements were noted during the audit of the consolidated financial statements for the year ended June 30, 2004.

**Section II - Internal Control and Compliance Material to Federal Awards**

Crossroads Louisiana, Inc., and Subsidiary did not receive federal awards in excess of \$500,000 during the year ended June 30, 2004 and, therefore, is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**Section III - Management Letter**

A management letter was not issued in connection with the audit for the year ended June 30, 2004.

**MANAGEMENT'S CORRECTIVE ACTION PLAN**  
**ON CURRENT YEAR FINDINGS**

Crossroads Louisiana, Inc., and Subsidiary

For the year ended June 30, 2005

**Section I - Internal Control and Compliance Material to the Financial Statements**

**Internal Control**

No material weaknesses were reported during the audit of the consolidated financial statements for the year ended June 30, 2005.

**05-1 Recommendation** - We recommend the Organization consider having other personnel involved in the accounting function, although to employ such controls may not be cost beneficial.

**Management's Corrective Action Plan** - The Organization's office has neither the qualified personnel nor the funds to hire additional personnel to assist in the accounting functions.

**Compliance**

No compliance findings material to the financial statements were noted during the audit of the consolidated financial statements for the year ended June 30, 2005.

**Section II - Internal Control and Compliance Material To Federal Awards**

Crossroads Louisiana, Inc., and Subsidiary did not receive federal awards in excess of \$500,000 during the year ended June 30, 2005 and, therefore, is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**Section III - Management Letter**

A management letter was not issued in connection with the audit for the year ended June 30, 2005.