

REPORT

ST. MARGARET'S DAUGHTERS HOME

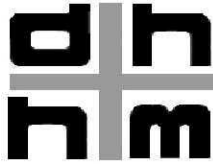
MARCH 31, 2012

ST. MARGARET’S DAUGHTERS HOME

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DUPLANTIER, HRAPMANN,
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INDEPENDENT AUDITOR'S REPORT

February 11, 2014

To The Board of Directors
St. Margaret's Daughters Home
New Orleans, Louisiana

We have audited the accompanying statement of financial position of St. Margaret's Daughters Home (the "Organization") as of March 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We were unable to substantiate the beginning accounts receivable, stated at \$1,435,428 at March 31, 2011 and the ending accounts receivable stated at \$1,882,426 at March 31, 2012, and we were unable to satisfy ourselves as to these balances by various additional audit procedures. Any misstatement of these balances would affect the results of operations for the year ended March 31, 2012.

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In our opinion, except for the effects of any adjustments that might have resulted had we been able to substantiate accounts receivable as of March 31, 2012, or to satisfy ourselves otherwise as to account balance at that date, the financial statements referred to previously present fairly, in all material respects, the financial position of St. Margaret's Daughters Home as of March 31, 2012, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2014 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 grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard*, and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of St. Margaret's Daughters Home taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements of the Organization. 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.

Duplantier, Hrapmann, Hogan & Maher, LLP

ST. MARGARET'S DAUGHTERS HOME
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2012

ASSETS

CURRENT ASSETS:	
Cash (Notes 1 and 2)	\$ 9,153,909
Restricted cash - resident trust funds	36,834
Restricted cash - parking lot project	32,034
Accounts receivable	1,882,426
Due from FEMA	4,170,077
Interest receivable (Note 7)	48,317
Employee advances	32,563
Due from related party (Note 7)	712,699
Total current assets	<u>16,068,859</u>
PROPERTY AND EQUIPMENT -	
(Notes 1 and 3) (net of accumulated	
depreciation of \$2,128,386)	11,006,891
Mercy Property (Note 3)	13,384,551
	<u>24,391,442</u>
OTHER ASSETS:	
Investment in limited liability company	<u>29,471</u>
TOTAL ASSETS	<u>\$ 40,489,772</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable	\$ 4,905,513
Accrued wages and other expenses	147,547
Due to residents	36,851
Line of credit (Note 5)	178,787
Current portion of long-term note payable (Note 4)	35,097
Total current liabilities	<u>5,303,795</u>
LONG-TERM LIABILITIES:	
Investment in limited liability company	944,499
Non-current portion of long-term note payable (Note 4)	21,378,926
Total long-term liabilities	<u>22,323,425</u>
Total liabilities	<u>27,627,220</u>
NET ASSETS:	
Unrestricted	12,830,552
Temporarily restricted	32,000
Total net assets	<u>12,862,552</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 40,489,772</u>

The notes to the financial statements are an integral part of this statement.

ST. MARGARET'S DAUGHTERS HOME
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2012

UNRESTRICTED NET ASSETS:	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	Total
Revenue and other support:				
Medicaid program	\$ 4,353,291	\$ -	\$ -	\$ 4,353,291
Medicare program	921,962	-	-	921,962
Private patients	1,340,093	-	-	1,340,093
Hospice Board	401,079	-	-	401,079
Donations	1,578,507	-	-	1,578,507
FEMA disaster assistance	7,359,142	-	-	7,359,142
Loss on investment in limited liability companies	(163,967)	-	-	(163,967)
Bad debt recovery	48,069	-	-	48,069
Other income	267,899	-	-	267,899
Interest	69,576	-	-	69,576
Total unrestricted revenues and gains	<u>16,175,651</u>	<u>-</u>	<u>-</u>	<u>16,175,651</u>
EXPENSES:				
Program services (Page 5)	9,950,911	-	-	9,950,911
General and administrative (Page 5)	1,105,440	-	-	1,105,440
Total expenses	<u>11,056,351</u>	<u>-</u>	<u>-</u>	<u>11,056,351</u>
Increase in unrestricted net assets	5,119,300	-	-	5,119,300
NET ASSETS - beginning of year, as restated	<u>7,711,252</u>	<u>32,000</u>	<u>-</u>	<u>7,743,252</u>
NET ASSETS - end of year	<u>\$ 12,830,552</u>	<u>\$ 32,000</u>	<u>\$ -</u>	<u>\$ 12,862,552</u>

The notes to the financial statements are an integral part of this statement.

ST. MARGARET'S DAUGHTERS HOME
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2012

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Activities	\$ 7,806	\$ -	\$ 7,806
Advertising	-	122,732	122,732
Automobile	24,775	-	24,775
Bank charges	-	1,609	1,609
Board meeting	-	3,394	3,394
Consultants	67,521	-	67,521
Contributions	-	1,209	1,209
Depreciation and amortization	402,340	100,585	502,925
Donations	4,290,700	-	4,290,700
Dues and subscriptions	10,030	-	10,030
Employee benefits	6,581	1,645	8,226
Food	289,128	-	289,128
Gifts	-	3,807	3,807
Co-op expenses	20,682	-	20,682
Health insurance	89,475	22,369	111,844
Interest	-	4,131	4,131
Licenses and permits	2,260	-	2,260
Maintenance	144,113	-	144,113
Materials and supplies	76,854	8,539	85,393
Meals	20,840	4,202	25,042
Miscellaneous	10,098	10,098	20,196
Medicare	497,820	-	497,820
Nursing supplies	270,982	-	270,982
Office supplies, postage and printing	-	44,471	44,471
Patient bed fees	321,460	-	321,460
Payroll taxes	205,411	51,353	256,764
Pension expense	2,426	607	3,033
Professional fees	154,253	38,563	192,816
Property and casualty insurance	201,098	50,275	251,373
Salaries and wages	2,454,550	613,638	3,068,188
Seminars and workshops	97,947	-	97,947
Telephone	19,053	2,117	21,170
Transportation	53,934	-	53,934
Travel	27,910	-	27,910
Utilities	180,864	20,096	200,960
	<u>9,950,911</u>	<u>1,105,440</u>	<u>11,056,351</u>
Total Expenses	\$ <u>9,950,911</u>	\$ <u>1,105,440</u>	\$ <u>11,056,351</u>

The notes to the financial statements are an integral part of this statement.

ST. MARGARET'S DAUGHTERS HOME
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 5,119,300
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	509,309
(Increase) decrease in operating assets:	
Accounts receivable	(4,287,889)
Interest receivable	(23,353)
Increase (decrease) in operating liabilities:	
Accounts payable	4,645,165
Bank overdraft	(12,017)
Accrued wages and other expenses	29,600
Due to residents	14,232
Net cash provided by operating activities	<u>5,994,347</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Loans to related parties	(15,634)
Collections on loans to related parties	33,639
Investment in limited liability companies	160,660
Additions to construction in progress	(8,634,128)
Purchase of property and equipment	(35,808)
Net cash used in investing activities	<u>(8,491,271)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from bank line of credit	1,028,787
Payments on bank line of credit	(850,000)
Proceeds from notes payable	9,424,778
Principal payments on notes payable	(27,107)
Net cash provided by financing activities	<u>9,576,458</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

	7,079,534
Cash and cash equivalents - beginning of year	2,143,243
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 9,222,777</u>

SUPPLEMENTAL DISCLOSURES OF
CASH FLOW INFORMATION:

Cash paid during the year for interest	<u>\$ 700,954</u>
Noncash investing activities:	
Purchase of automobile through note payable	<u>\$ 43,000</u>
Purchase of materials through note payable	<u>\$ 4,418</u>

The notes to the financial statements are an integral part of this statement.

ST. MARGARET'S DAUGHTERS HOME
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012

ORGANIZATION:

St. Margaret's Daughters Home (the Organization) is a Louisiana nonprofit organization established to provide quality nursing services and daily living necessities for residents in a household environment, with a non-profit mission to serve the indigent and elderly poor residents. Program revenue sources are derived from board income and skilled nursing services income, grants, donations, and other investments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of the Organization's significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of Accounting and Financial Statement Presentation:

The financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

The Organization's financial statements comply with Accounting Standards Codification (ASC) 958, *Presentation of Financial Statements for Not-for-Profit Entities*. Under ASC 958, 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. In addition, the Organization is required to present a Statement of Cash Flows.

The statement of activities presents expenses of the Organization's operations functionally between program services and administrative and general. Those expenses which cannot be functionally categorized are allocated between functions based upon management's estimate of usage applicable to conducting those functions.

Accounts Receivable:

Accounts receivable are carried at net realizable value and represent amounts due from residents of St. Margaret's Daughters Home and other entities that have an obligation to St. Margaret's Daughters Home in exchange for a pledge or service. Management has elected to charge the write-offs of accounts receivable directly to bad debt expense in the year such accounts are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America, as management expects accounts receivable to be fully collectible.

Contributions:

The Organization accounts for contributions in accordance with Accounting Standards Codification (ASC) 958-605. Contributions received are recorded as unrestricted, temporarily restricted, and permanently restricted support depending on the existence and/or nature of any donor restrictions.

ST. MARGARET'S DAUGHTERS HOME
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Taxes:

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents:

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment:

Acquisitions of property and equipment in excess of \$2,000 are capitalized. Property and equipment are stated at acquisition cost, or estimated historical cost if acquisition cost is not available. Contributed property and equipment is recorded at fair value at the date of donation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable property and equipment to operations over their estimated useful lives using the straight-line method. Routine repairs and maintenance are expensed as incurred. Estimated useful lives of property and equipment are as follows:

Automobiles	5 years
Furniture and fixtures	5 - 7 years
Machinery and equipment	7 years
Buildings and improvements	10 - 39 years

Advertising:

The cost of advertising is charged to expense as incurred. The total advertising expense incurred was \$122,732 for the year ended March 31, 2012.

2. CASH AND CASH EQUIVALENTS:

At March 31, 2012, the Organization maintained cash balances in several local banks. The bank balances and book balances as of March 31, 2012 were as follows:

	<u>Book Balances</u>	<u>Bank Balances</u>
Checking accounts	\$ 9,120,159	\$ 9,152,563
Money market account	102,268	102,268
Petty cash	<u>350</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 9,222,777</u>	<u>\$ 9,254,831</u>

ST. MARGARET'S DAUGHTERS HOME
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012

2. CASH AND CASH EQUIVALENTS: (Continued)

Funds deposited by the Organization were insured by the Federal Deposit Corporation up to a maximum of \$250,000 per institution for interest bearing and non-interest bearing accounts. During the year ended March 31, 2012, the Organization had on deposit cash in excess of FDIC insurance limit. The Organization exceeded the insured limit by \$8,122,916 as of March 31, 2012.

3. PROPERTY AND EQUIPMENT:

Below is a summary of activity in the St. Margaret's Daughters Home property and equipment accounts during the year ended March 31, 2012:

	Balance April 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance March 31, <u>2012</u>
Automobiles	\$ 139,246	\$ 45,104	\$ --	\$ 184,350
Buildings and improvements	11,407,670	30,469	--	11,438,139
Furniture and fixtures	660,369	3,235	--	663,604
Machinery and equipment	<u>849,184</u>	<u>--</u>	<u>--</u>	<u>849,184</u>
	13,056,469	78,808	--	13,135,277
Accumulated depreciation	<u>(1,619,077)</u>	<u>(509,309)</u>	<u>--</u>	<u>(2,128,386)</u>
Net property and equipment	\$ <u>11,437,392</u>	\$ <u>(430,501)</u>	\$ <u>--</u>	\$ <u>11,006,891</u>

Depreciation expense totaled \$509,309 during the year ended March 31, 2012.

The Organization capitalized interest cost as a component of the cost of the Mercy property. Interest expense capitalized was \$696,823 for the year ended March 31, 2012.

During the year ended March 31, 2011, the St. Margaret's Daughters Home purchased the Lindy Boggs Medical Center, formerly known as Mercy Hospital. The entire medical facility sustained significant flooding and wind damage from Hurricane Katrina and was subsequently shut down. The Organization created a condominium regime for the Mercy Hospital property. The property consists of three separate dilapidated shell structures. The structures are denoted as Building A, Building B, and Building C, which have a combined total of 380,700 square feet. The Organization has begun renovations to Building A using federal grant funds with plans to turn it into a nursing home and health services provider. Building B and Building C were donated to St. Margaret's Foundation (an affiliated organization). As of March 31, 2012, the basis of Building A of the Mercy property, which includes the purchase price and capitalized renovation costs, is \$13,384,551.

ST. MARGARET'S DAUGHTERS HOME
 NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012

4. NOTES PAYABLE:

A summary of notes payable consist of the following at March 31, 2012:

Note payable dated July 13, 2010 used to purchase a vehicle; the interest rate is 6.60% and the term is sixty months. The vehicle is pledged as collateral on the note.	\$ 24,999
Note payable dated September 14, 2011 used to purchase a vehicle; the interest rate is 6.34% and the term is sixty months. The vehicle is pledged as collateral on the note.	39,286
Note payable dated April 29, 2010 to Enhanced Capital New Market Development Fund III, LLC; the interest rate is 83.015% of the sum of LIBOR plus 2.0%, from the date of each advance, currently 3.32%. Interest is paid quarterly with the outstanding principal due on April 29, 2017. The note is secured by the mortgage, assignment of construction documents, guaranty, deposit account security agreements by the Organization in favor of the Lenders, together with Control Agreement-Deposit Account, executed by the Bank and Lenders, and mortgage, security agreement and assignment of leases and rents bearing against the existing facility.	11,300,000
Note payable dated April 29, 2010 to Community Development Fund III, L.L.C.; the interest rate is 83.015% of the sum of LIBOR plus 2.0%, from the date of each principal advance under this note, currently 3.32%. Interest is paid quarterly with the outstanding principal due on April 29, 2017. The note is secured by the mortgage, assignment of construction documents, guaranty, deposit account security agreements by the Organization in favor of the Lenders, together with Control Agreement-Deposit Account, executed by Bank and Lenders, and mortgage, security agreement and assignment of leases and rents bearing against the existing facility. Terms of the agreement require the Organization to maintain certain financial covenants. The Organization is not in compliance with the loan to value ratio as of December 31, 2013.	10,000,000

ST. MARGARET'S DAUGHTERS HOME
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012

4. NOTES PAYABLE: (Continued)

Note payable to Becker Professional Education dated November 7, 2011. Principal payments are \$245 per month, beginning on December 15, 2011 and ending on January 15, 2013. The interest rate is 0% a year from the date of the note, ending on January 15, 2013.

3,436

Note payable used for Organization operations dated April 24, 2010. Principal payments are \$1,481 per month, beginning on April 24, 2010 and ending on September 24, 2011. The interest rate is 0% a year for a period of two years from the date of the note, ending on September 24, 2011. Beginning on September 24, 2011, the Organization began paying monthly principal and interest, ending September 24, 2014. The note is unsecured.

46,302
21,414,023
(35,097)
\$ 21,378,926

Less current portion
Total long-term debt

Maturities of long term debt for the next five years are as follows:

<u>March 30,</u>	
2013	\$ 35,097
2014	34,314
2015	27,503
2016	12,172
2017	<u>21,304,937</u>
	<u>\$ 21,414,023</u>

5. LINE OF CREDIT:

The Organization may draw up to \$850,000 from an unsecured revolving line of credit. As of March 31, 2012, the Organization had outstanding borrowings under the line of credit of \$178,787. The Organization will pay the loan in full immediately upon lender's demand. If no demand is made, the Organization will pay the loan in one payment of all outstanding principal plus all accrued unpaid interest on April 29, 2014. In addition, the Organization will make regular monthly interest payments until the note is paid in full. The line carries a variable interest rate. The interest rate will be based on the "prime rate of interest" as published in the Wall Street Journal. At March 31, 2012 the interest rate was calculated at 3.75%.

6. RETIREMENT PLAN:

St. Margaret's Daughters Home has a 401(K) pension plan covering all paid employees with at least six months of service. St. Margaret's Daughters Home contributes 1.5% of participating employees' annual salaries. There is no minimum contribution required by eligible employees to receive the Organization's match. The amount contributed to the plan during the year ended March 31, 2012 was \$3,033.

ST. MARGARET'S DAUGHTERS HOME
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012

7. RELATED PARTY TRANSACTIONS:

St. Margaret's Daughters Home engaged in transactions with related parties as follows:

St. Margaret's Foundation:

St. Margaret's Daughters Home created St. Margaret's Foundation, a special purpose entity wholly controlled by St. Margaret's Daughters Home with the same board of directors. St. Margaret's Daughters Home acquired the Lindy Boggs Medical Center, formerly known as Mercy Hospital, from the proceeds of a new market tax credit equity investment and the proceeds of a loan from Iberia Bank. St. Margaret's Daughters Home donated Condo B and C of the former Mercy Property to St. Margaret's Foundation and has also donated cash to St. Margaret's Foundation. The donations are required as the tax credit requires the flow of funds to go a certain qualified active low income community business. Tax credit eligibility is based on the project, such as community need, therefore, the type of project and location of property play a part in eligibility. The tax credit requires a qualified community agency to steward the project. During the year ended March 31, 2012, the donation of cash received from St. Margaret's Foundation amounted to \$1,578,507. During the year ended March 31, 2012, the Organization donated \$4,290,700 to St. Margaret's Foundation.

St. Luke's Pharmacy Services, LLC:

In December 2009, the Organization acquired a 50% interest in St. Luke's Pharmacy Services, LLC. and made an initial contribution of \$50,000 at that time. This investment is accounted for on the equity method of accounting. A net loss of the LLC in the amount of \$11,085 has been reported as a loss on investments in LLCs, as of March 31, 2012. The Organization has not made any additional contributions or commitments.

St. Margaret's Home Health & Hospice, LLC:

In April 2008, the Organization acquired a 50% interest in St. Margaret's Home Health and Hospice, LLC and made an initial capital contribution of \$250,000. This investment is accounted for on the equity method of accounting. A net loss of the LLC in the amount of \$152,882 has been reported as a loss on investments in LLCs, as of March 31, 2012. The Organization has not made any additional contributions or commitments.

St. Margaret's Home Health & Hospice has borrowed various amounts from the Organization. At March 31, 2012, the loan balance due to the Organization was \$712,699. The loan bears interest at a floating rate equal to the lesser of two percentage points, in excess of the prime rate. Interest receivable on the loan at March 31, 2012 was \$48,317. The loan is due on demand.

ST. MARGARET'S DAUGHTERS HOME
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012

7. RELATED PARTY TRANSACTIONS: (Continued)

St. Margaret's Pharmacy Services:

Mr. Larry Stansberry, President of St. Margaret's Daughters Home, is a board member of St. Margaret's Pharmacy Services. At March 31, 2012, St. Margaret's Pharmacy Services owed the Organization \$-0-.

St. Luke's Medical Center:

Mr. Larry Stansberry, President of St. Margaret's Daughters Home, serves as Manager Member of St. Luke's Medical Center. At March 31, 2012, St. Luke's Medical Center owed the Organization \$-0-.

8. NET ASSETS:

Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for a parking lot project. As of March 31, 2012, temporarily restricted net assets amounted to \$32,000.

9. NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets are released from temporary donor restrictions by incurring expenses satisfying the restricted purpose.

10. 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.

11. DATE OF MANAGEMENT'S REVIEW:

The Organization has evaluated subsequent events through February 11, 2014, the date which the financial statements were available to be issued.

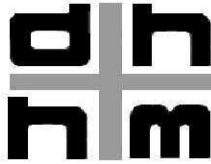
12. RESTATEMENT:

Net Assets as of April 1, 2011 have been restated for an understatement of disaster assistance revenue and overstatement of demolition expenses in the prior year. The cumulative effect increases beginning net assets by \$471,027.

ST. MARGARET'S DAUGHTERS HOME
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2012

13. SUBSEQUENT EVENT:

In January 2014 a contractor filed a motion seeking a 50% ownership in the Mercy property. Based on preliminary review, the Organization's attorneys feel confident of a favorable outcome for St. Margaret's Daughters Home.



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

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

February 11, 2014

To the Board of Directors
St. Margaret's Daughters Home
New Orleans, Louisiana

We have audited the financial statements of St. Margaret's Daughters Home (the "Organization") as of and for the year ended March 31, 2012, and have issued our report thereon dated February 11, 2014. 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

Management of St. Margaret's Daughters Home is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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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. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, 2012-02 and 2012-03.

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. We did not identify any deficiencies in internal control that we believe to be significant deficiencies.

Compliance and Other Matters

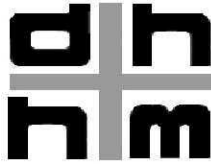
As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 item 2012-01.

We noted certain matters that we reported to management of St. Margaret's Daughters Home in a separate letter dated February 11, 2014.

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Directors, management of St. Margaret's Daughters Home, 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.

Duplantier, Hrapmann, Hogan & Maher, LLP



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

February 11, 2014

To the Board of Directors
St. Margaret's Daughters' Home
New Orleans, Louisiana

Compliance

We have audited St. Margaret's Daughters Home's (the "Organization") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct or material effect on each of the Organization's major federal programs for the year ended March 31, 2012. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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 the Organization'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. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

As described in item 2012-04 in the accompanying schedule of findings and questioned costs, St. Margaret's Daughters Home did not comply with requirements regarding the submission of its Single Audit Reporting Package to the federal clearinghouse no later than nine months after fiscal year-end. Compliance with such requirements is necessary, in our opinion, for St. Margaret's Daughters Home to comply with requirements applicable to that program.

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In our opinion, except for the noncompliance described in the preceding paragraph, St. Margaret's Daughters Home complied, in all material respects, with the compliance requirements referred to above that could have a direct or material effect on each of its major federal programs for the year ended March 31, 2012.

Internal Control Over Compliance

Management of St. Margaret's Daughters Home is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on its major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 the Organization's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-02 and 2012-03 to be material weaknesses.

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. We did not identify any deficiencies in internal control that we believe to be significant deficiencies.

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Directors, management of St. Margaret's Daughters Home, 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.

ST. MARGARET'S DAUGHTERS HOME
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2012

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Homeland Security pass-through program from:		
Federal Emergency Management Agency:		
Public Assistance Grants	97.036	\$ <u>7,301,986</u>
Total Expenditures of Federal Awards		\$ <u>7,301,986</u>

See accompanying notes to schedule of expenditures of federal awards.

ST. MARGARET'S DAUGHTERS HOME
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2012

1. BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the grant activity of St. Margaret's Daughters Home under programs of the federal government for the year ended March 31, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of St. Margaret's Daughters Home, it is not intended to and does not present the financial position, changes in net assets, or cash flow of St. Margaret's Daughters Home.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which complies with the accounting practices of the Federal Emergency Management Agency's (FEMA) Public Assistance (PA) Grant Program administered by the Louisiana Office of Homeland Security and Emergency Preparedness.

ST. MARGARET'S DAUGHTERS HOME
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2012

SECTION I - SUMMARY OF AUDITOR'S RESULTS:

Financial Statements:

Type of auditor's report issued: Qualified

Internal control over financial reporting:

- * Material weakness(es) identified? X yes no
- * Significant deficiencies identified that are not considered to be material weaknesses? yes X no

Noncompliance material to financial statements noted? X yes no

Federal Awards:

Internal control over major programs:

- * Material weakness(es) identified? X yes no
- * Significant deficiencies identified that are not considered to be material weaknesses? yes X no

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133: yes X no

<u>Name of Program</u>	<u>CFDA No.</u>	<u>Expenditure</u>
FEMA – Public Assistance Grant	97.036	\$ <u>7,301,986</u>
		\$ <u>7,301,986</u>

The threshold used to distinguish between Type A and Type B programs was \$300,000.

Auditee qualified as low-risk auditee? yes X no

ST. MARGARET'S DAUGHTERS HOME
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2012

SECTION II - FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

2012-01: FILING OF AUDIT REPORT

Condition

State law requires that the audit report must be completed and submitted to the Louisiana Legislative Auditor within six months of the close of the fiscal year.

Criteria

The Organization did not submit the audit report for the year ended March 31, 2012 by the date authorized by the State of Louisiana Legislative Auditor.

Cause

Due to the increase in contract and grant activity, management had difficulties ensuring all transactions were accounted for properly and more time was needed to ensure all transactions were recorded and accounted for.

Effect

St. Margaret's Daughters Home is not in compliance with State laws. Additionally, receiving information that is not timely or current can significantly impact management's ability to guide an organization.

Recommendation

We recommend that the Organization complete financial information in a timely and accurate manner in order to be in compliance with State filing requirements.

Management's Corrective Action Plan

Management will prepare financial information timely and accurately in order to submit the audit report in accordance with State law.

2012-02: SEGREGATION OF DUTIES

Condition

A lack of proper segregation of duties exists for accounting functions over cash receipts, cash disbursements, payroll and the general ledger.

Criteria

Proper segregation of duties is needed for adequate internal controls over financial reporting and compliance.

Cause

The controller performs all accounting functions for cash receipts, disbursements, payroll, general ledger entries, bank reconciliations, check writing, etc.

ST. MARGARET'S DAUGHTERS HOME
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2012

SECTION II - FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS: (Continued)

2012-02: SEGREGATION OF DUTIES (Continued)

Effect

The effect of not having proper segregation of duties results in lack of internal controls, which could result in misappropriation of assets or material misstatements to the financial statements.

Recommendation

We recommend, whenever possible, duties be segregated to improve internal controls.

Management's Corrective Action Plan

Management will review current accounting procedures and consider having other staff members assume roles that will allow for better separation of duties.

2012-03: ACCOUNTS RECEIVABLE

Condition

Our audit procedures disclosed inadequate details and support of the accounts receivable balance as of the balance sheet date.

Criteria

Accounts receivable balances should be reconciled between the general ledger and the subsidiary on a consistent and timely basis.

Cause

We feel that the following factors contribute to this deficiency: lack of reconciliation procedures, inadequate documentation, and inadequate procedures for tracking individual resident balances.

Effect

This lack of control led to the inability to determine accurate accounts receivable balances, to assess account aging, to adequately substantiate and test accounts receivable, and to easily track amounts owed to St. Margaret's Daughters Home, and subsequently led to a qualified audit opinion.

Recommendation

We strongly suggest that the accounts receivable subsidiary system be improved to track invoices billed and collected. Procedures should also be established to ensure that accounts receivable balances are reconciled between the general ledger and the subsidiary on a consistent and timely basis. Differences should be investigated and resolved as soon as possible. These procedures will assist St. Margaret's Daughters Home in establishing reliable internal control for the billing and collections of accounts receivable and revenues.

Management's Corrective Action Plan

Management will create and maintain a subsidiary ledger for accounts receivable balances.

ST. MARGARET'S DAUGHTERS HOME
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2012

SECTION III - FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT:

2012-04: FILING OF SINGLE AUDIT SUBMISSION PACKAGE

Condition

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the Organization to submit its Single Audit Reporting Package to the federal clearinghouse no later than nine months after fiscal year-end, unless the Organization's federal oversight agency approves an extension of this deadline.

Criteria

The federal reporting deadline for the Organization's Single Audit Reporting Package was December 31, 2012. The Organization did not issue its Single Audit Reporting Package within the time frame required. There was no extension request made to the U.S. Department of Homeland Security.

Cause

Due to the increase in contract and grant activity, management had difficulties ensuring all transactions were accounted for properly and more time was needed to ensure all transactions were recorded and accounted for.

Effect

St. Margaret's Daughters Home is not in compliance with Federal single audit submission package requirements. Additionally, future grant revenue could be impacted if the Organization continues to be out of compliance with Federal law.

Recommendation

We recommend that the Organization complete financial information in a timely and accurate manner in order to be in compliance with Federal single audit submission package requirements.

Management's Corrective Action Plan

Management will prepare financial information timely and accurately in order to submit the audit report in accordance with Federal law.

SECTION IV - PRIOR YEAR FINDINGS:

None

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February 11, 2014

To the Board of Directors and Management of
St. Margaret's Daughters Home
New Orleans, Louisiana

In planning and performing our audit of the financial statements of St. Margaret's Daughters Home (the "Organization") as of and for the year ended March 31, 2012, 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, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion of the effectiveness of the Company's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The section below summarizes our comments and suggestions regarding these matters. Our separate report on internal controls over financial reporting and on compliance and other matters based on an audit in accordance with *Government Auditing Standards*, dated February 11, 2014, and our independent auditor's report on compliance for each major program and on internal control over compliance required by *OMB A-133*, dated February 11, 2014, contains our communication of significant deficiencies and material weaknesses in the Company's internal control. This letter does not affect our report dated February 11, 2014, on the financial statements of St. Margaret's Daughters Home:

2012-01: FILING OF AUDIT REPORT

State law requires that the audit report must be completed and submitted to the Louisiana Legislative Auditor within six months of the close of the fiscal year. The Organization did not submit the audit report for the year ended March 31, 2012 by the date authorized by the State of Louisiana Legislative Auditor. Due to the increase in contract and grant activity, management had difficulties ensuring all transactions were accounted for properly and more time was needed to ensure all transactions were recorded and accounted for. St. Margaret's Daughters Home is not in compliance with State laws. Additionally, receiving information that is not timely or current can significantly impact management's ability to guide an organization.

We recommend that the Organization complete financial information in a timely and accurate manner in order to be in compliance with State filing requirements.

2012-02: SEGREGATION OF DUTIES

A lack of proper segregation of duties exists for accounting functions over cash receipts, cash disbursements, payroll and the general ledger. Proper segregation of duties is needed for adequate internal controls over financial reporting and compliance. The controller performs all accounting functions for cash receipts, disbursements, payroll, general ledger entries, bank reconciliations, check writing, etc. The effect of not having proper segregation of duties results in lack of internal controls, which could result in misappropriation of assets or material misstatements to the financial statements.

We recommend, whenever possible, duties be segregated to improve internal controls.

2012-03: ACCOUNTS RECEIVABLE

Our audit procedures disclosed inadequate details and support of the accounts receivable balance as of the balance sheet date. Accounts receivable balances should be reconciled between the general ledger and the subsidiary on a consistent and timely basis. We feel that the following factors contributed to this deficiency: lack of reconciliation procedures, inadequate documentation, and inadequate procedures for tracking individual resident balances. This lack of control led to the inability to determine accurate accounts receivable balances, to assess account aging, to adequately substantiate and test accounts receivable, and to easily track amounts owed to St. Margaret's Daughters Home.

We strongly suggest that the accounts receivable subsidiary system be improved to track invoices billed and collected. Procedures should also be established to ensure that accounts receivable balances are reconciled between the general ledger and the subsidiary on a consistent and timely basis. Differences should be investigated and resolved as soon as possible. These procedures will assist St. Margaret's Daughters Home in establishing reliable internal control for the billing and collections of accounts receivable and revenues.

2012-04: FILING OF SINGLE AUDIT SUBMISSION PACKAGE

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the Organization to submit its Single Audit Reporting Package to the federal clearinghouse no later than 9 months after fiscal year-end, unless the Organization's federal oversight agency approves an extension of this deadline. The federal reporting deadline for the Organization's Single Audit Reporting Package was December 31, 2012. The Organization did not issue its Single Audit Reporting Package within the time frame required. There was no extension request made to the U.S. Department of Homeland Security. Due to the increase in contract and grant activity, management had difficulties ensuring all transactions were accounted for properly and more time was needed to ensure all transactions were recorded and accounted for. St. Margaret's Daughters Home is not in compliance with Federal single audit submission package requirements. Additionally, future grant revenue could be impacted if the Organization continues to be out of compliance with Federal law.

We recommend that the Organization complete financial information in a timely and accurate manner in order to be in compliance with Federal single audit submission package requirements.

2012-05: ACCOUNTING AND REPORTING PROCESS

During our audit, it was noted that the St. Margaret's Daughters Home is experiencing significant inefficiencies in its accounting and reporting process, specifically, including supporting schedules for balances in the general ledger as well as supporting documentation.

In various instances, audit schedules and support provided by the St. Margaret's Daughters Home staff did not reconcile with what was recorded in the general ledger. This situation has caused significant delays and resulted in additional proposed adjustments during the audit of the financial statements. The lack of timely reconciliation will continue to cause delays in the financial statements as well as allow possible irregularities to exist and continue without timely detection.

It seems that there is a lack of training and/or education required for maintaining complete and accurate financial records and a lack of skills required to monitor and review the completeness and accuracy of the financial reporting process.

We recommend that the management of St. Margaret's Daughters Home perform a review of employee responsibilities and duties within the accounting department and take necessary actions in order to complete financial information in an accurate, timely manner.

2012-06: ACCOUNTS PAYABLE

During our search for unrecorded liabilities, we noted \$2,111,880 in construction expenses, related to services performed during the year ended March 31, 2012, were not recorded in accounts payable. Proper cutoffs are critical for the accuracy of the accrual basis of accounting.

We recommend that the management of St. Margaret's Daughters Home implement accounting policies and procedures that ensure proper cutoff of expenses.

2012-07: FEMA ACCOUNTS RECEIVABLE

During the year ended March 31, 2012, St. Margaret's Daughters Home was awarded FEMA public assistance grants for rebuilding and recovery from Hurricane Katrina. St. Margaret's Daughters Home expended over \$7 million during the year that is expected to be reimbursed by these grants. The process of requesting reimbursement for these grants was originally handled by an individual who is no longer employed by St. Margaret's Daughters Home. Approximately 3.5 million of revenue from the grant was received from the grant during the year. A receivable for the remaining revenue was not recorded, nor was a receivable recorded in the prior year and properly reduced for current year receipts.

We recommend that management establish controls and implement policies to track reimbursement requests and subsequent receipts, and to record FEMA receivables on a timely basis.

2012-08: A-133 COMPLIANCE

During our audit procedures, we noted certain instances where invoices were not properly approved by an engineer or project manager. For transactions related to federal grants, without the appropriate approval process, unallowable expenses could be charged to a federal grant. Unallowable expenses can be required to be refunded to the government and in many cases this can have a serious negative financial effect on an organization. This is a weakness in internal controls.

We recommend that management establish controls and implement policies to ensure that invoices are properly approved for all federal grant expense transactions.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience or assist you in implementing the recommendations. Because of the significance of the accounts receivable balance, we issued a qualified opinion on that area. In the future, management should develop and maintain a detail subsidiary ledger for all receivables, as well as supporting documentation.

This communication is intended solely for the information and use of management, the board of directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

DUPLANTIER, HRAPMANN, HOGAN & MAHER, LLP



Lindsay J. Calub, CPA

Partner

LJC/ct

ST MARGARET'S

Alec Lundberg
Chief Operating Officer
St. Margaret's Daughters
3525 Bienville Street
New Orleans LA 70119

February 24th 2014

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
Baton Rouge, Louisiana 70804-9397

Mr. Purpera,

Please find this letter in response to the findings our audit for FYE 3/31/12. Please note that in response to correct all audit findings, St. Margaret's has replaced the Chief Financial Officer, the individual responsible for all audits and monitoring of accounting practices and cash management procedures, and engaged two external independent agencies with vast expertise in healthcare business operations and appropriate financial and accounting guidelines and principles. The findings in response are as follows.

2012-01: FILING OF AUDIT REPORT

Audit Filing no longer done internally by CFO. An external independent consulting agency was hired to schedule start and timely completion and filing of all future audits.

2012-02: SEGREGATION OF DUTIES

Financial and Accounting Procedures no longer managed internally by CFO. Job now performed by external independent agency who will create procedures to ensure segregation of duties. Procedures will be reviewed and approved by St. Margaret's management.

2012-03: ACCOUNTS RECEIVABLE

Financial and Accounting Procedures no longer managed internally by CFO. Job now performed by external independent agency who will create procedures to ensure proper log and accuracy of all Accounts Receivables. Accounts receivable will be reviewed and approved by St. Margaret's management.

2012-04: FILING OF SINGLE AUDIT SUBMISSION PACKAGE

Audit Filing no longer done internally by CFO. An external independent consulting agency was hired to schedule start and timely completion and filing of all future audits.

2012-05: ACCOUNTING AND REPORTING PROCESS

Financial and Accounting Procedures no longer managed internally by CFO. Job now performed by external independent agency who will create procedures to ensure proper accounting and reporting of financial information.

2012-06: ACCOUNTS PAYABLE

Financial and Accounting Procedures no longer managed internally by CFO. Job now performed by external independent agency who will create procedures to ensure proper log and accuracy of all Accounts Payables. Accounts payable will be reviewed and approved by St. Margaret's management.

ST MARGARET'S

Alec Lundberg
Chief Operating Officer
St. Margaret's Daughters
3525 Bienville Street
New Orleans LA 70119

2012-07: FEMA ACCOUNTS RECEIVABLE

Financial and Accounting Procedures no longer managed internally by CFO. Job now performed by external independent agency who will create procedures to ensure proper log and accuracy of all Accounts Receivables.

2012-08: A-133 COMPLIANCE

Financial and Accounting Procedures no longer managed internally by CFO. Job now performed by external independent agency who will create procedures to ensure compliance.

Thank you.



Alec Lundberg
Chief Operating Officer
St. Margaret's Daughters