

GATEHOUSE FOUNDATION, INC.  
FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITORS' REPORTS

June 30, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12/8/10

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Gatehouse Foundation, Inc.  
Lafayette, Louisiana

We have audited the accompanying statement of financial position of Gatehouse Foundation, Inc. (Gatehouse) (a not-for-profit corporation) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Gatehouse's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the Louisiana Governmental Audit Guide. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gatehouse as of June 30, 2010, and the changes in net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that Gatehouse will continue as a going concern. As discussed in note J to the financial statements, Gatehouse has suffered recurring significant reductions in grant revenues and has a net deficiency in unrestricted operating net assets that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters also are described in note J. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Gatehouse taken as a whole. The accompanying Schedule of Federal Awards for the year ended June 30, 2010 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2010, on our consideration of Gatehouse's internal control over financial reporting and our test of 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 the 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.

Louis R. Rolfes II, CPA  
Lafayette, Louisiana  
November 12, 2010

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

To the Board of Directors  
Gatehouse Foundation, Inc.  
Lafayette, Louisiana

We have audited the financial statements of Gatehouse Foundation, Inc. (Gatehouse) (a not-for-profit corporation) as of and for the year ended June 30, 2010, and have issued our report thereon dated November 12, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the Louisiana Governmental Audit Guide.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Gatehouse'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 Gatehouse's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Gatehouse's internal control over financial reporting.

*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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying *Schedule B - Summary of Current Year Findings* that we consider to be significant deficiencies in internal control over financial reporting. 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.

### **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether Gatehouse'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 several instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and they are listed in *Schedule B-Summary of Current Year Findings*.

Gatehouse's written response to the findings identified in our audit is included in the accompanying summary of current year findings. We did not audit Gatehouse's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Gatehouse Foundation Board of Directors, management, the Louisiana Department of Health and Hospitals, Office for Addictive Disorders as licensing agency for Gatehouse, and the Community Development Department of Lafayette Consolidated Government and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Louis R. Rolfes, II, CPA  
Lafayette, Louisiana  
November 12, 2010

GATEHOUSE FOUNDATION, INC.  
STATEMENT OF FINANCIAL POSITION

June 30, 2010

ASSETS

CURRENT ASSETS

Cash	\$ 500
Prepaid expenses	188
Employee/client advances	548
Grants/contracts receivable	<u>22,710</u>

Total Current Assets \$ 23,946

PROPERTY AND EQUIPMENT - AT COST

Land	87,000
Building	42,575
Building renovations	38,266
Furniture and fixtures	35,622
Equipment	<u>52,562</u>

256,025

Less: accumulated  
depreciation (160,162)

Net Property and Equipment 95,863

OTHER ASSETS

Deposits	<u>2,101</u>
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TOTAL ASSETS \$ 121,910

The accompanying notes are an integral  
part of this statement.

GATEHOUSE FOUNDATION, INC.  
STATEMENT OF FINANCIAL POSITION

June 30, 2010

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 23,251
Payroll taxes payable	1,157
Current portion of debt	5,644
Loan - Other	580
Contract advance - State	<u>-</u>

Total Current Liabilities \$ 30,632

LONG-TERM LIABILITIES

Long-term debt, net of current portion	<u>4,800</u>
--	--------------

Total Liabilities 35,432

NET ASSETS

Unrestricted	
Operating	(25,011)
Plant	<u>88,779</u>
	63,768
Temporarily restricted	<u>22,710</u>

Total net assets 86,478

TOTAL LIABILITIES AND  
NET ASSETS

\$ 121,910

The accompanying notes are an integral  
part of this statement.

GATEHOUSE FOUNDATION, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Public Support and Revenue:</b>			
Revenue from State contract	\$ -	\$142,717	\$142,717
Lafayette Consolidated Government (ESG)	-	12,000	12,000
Client rents/fees	23,368	-	23,368
Fundraising/donations	325	-	325
Miscellaneous	<u>1,381</u>	-	<u>1,381</u>
Total public support and revenue	25,074	154,717	179,791
Net assets released from restrictions	<u>145,687</u>	<u>(145,687)</u>	-
Total Cash Support and Revenue	170,761	9,030	179,791
<b>In-Kind:</b>			
Professional services	3,950	-	3,950
Donated food/supplies	28,506	-	28,506
Clothing	<u>6,495</u>	-	<u>6,495</u>
Total donated services	<u>38,951</u>	-	<u>38,951</u>
<b>Total support and revenue</b>	209,712	9,030	218,742
<b>Expenses:</b>			
Program services:			
Dietary & medical	39,219	-	39,219
Physical plant	30,310	-	30,310
Supervision	<u>98,713</u>	-	<u>98,713</u>
Total program services	168,242	-	168,242
Supporting services:			
Management and general	70,519	-	70,519
Fundraising	-	-	-
Total supporting services	<u>70,519</u>	-	<u>70,519</u>
<b>Total expenses</b>	<u>238,761</u>	-	<u>238,761</u>
Change in net assets	(29,049)	9,030	(20,019)
Net assets, beginning of year	88,980	13,680	102,660
Prior Period Adjustment	<u>3,837</u>	-	<u>3,837</u>
Net assets, end of year	\$ <u>63,768</u>	\$ <u>22,710</u>	\$ <u>86,478</u>

The accompanying notes are an integral part of this statement.

GATEHOUSE FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2010

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Bank charges	-	8	8
Client programs/assistance	692	-	692
Computer, internet, cable	2,583	-	2,583
Contract labor	3,307	-	3,307
Depreciation	1,895	-	1,895
Dietary & medical	5,402	-	5,402
Dues & subscriptions	-	320	320
Employee screen	-	267	267
Food & kitchen, includes in-kind of \$28,506	33,817	-	33,817
Fundraising expense	-	-	-
Gifts	-	240	240
In-Service training	855	-	855
Insurance - general liability	5,845	-	5,845
Interest	3,510	-	3,510
Legal & accounting, includes in-kind of \$3,950	-	10,000	10,000
Miscellaneous	-	1,699	1,699
Office supplies	-	968	968
Payroll taxes	7,029	4,524	11,553
Permits and licenses	67	-	67
Postage	-	171	171
Repairs and maintenance	3,942	-	3,942
Salaries	75,718	48,739	124,457
Supplies, includes in-kind of \$6,495	8,722	-	8,722
Taxes and penalties	-	-	-
Telephone	2,173	2,174	4,347
Travel	-	-	-
Utilities	<u>12,685</u>	<u>1,409</u>	<u>14,094</u>
	<u>\$ 168,242</u>	<u>\$ 70,519</u>	<u>\$ 238,761</u>

The accompanying notes are an integral  
part of this statement.

GATEHOUSE FOUNDATION, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) in net assets		\$ (20,019)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	\$ 1,895	
- Decrease in prepaid expenses/advances	150	
- (Increase) in grants/contracts receivable	(4,030)	
- Increase in accounts payable	23,251	
- (Decrease) in accrued payroll taxes/expenses	<u>(2,571)</u>	
Total adjustments		<u>18,695</u>
Net cash provided (used) by operating activities		(1,324)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	<u>(4,178)</u>	
Net cash (used) by investing activities		(4,178)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on line of credit, mortgage, loans	<u>(7,633)</u>	
Net cash (used) by financing activities		(7,633)
Prior period adjustment		<u>3,837</u>
Net (decrease) in cash		(9,298)
Cash at June 30, 2009		<u>9,798</u>
Cash at June 30, 2010		\$ <u>500</u>

Supplemental disclosure:

Interest paid amounted to \$3,510

The accompanying notes are an integral part of this statement.

GATEHOUSE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**Note A - Nature of Activities and Summary of Significant Accounting Policies**

Nature of activities

Gatehouse Foundation, Inc. operates a state-licensed private, not-for-profit, residential (fifteen beds), educational and rehabilitation program for persons recovering from alcoholism and other chemical dependencies. The halfway house facility provides extended care to chemically dependent males and females in a supervised living environment. The purpose of the program is to assist the resident in developing a healthy transition back into the community via counseling and therapeutic support. As provider, Gatehouse must allow a sliding fee scale policy, and must not refuse services to persons on account of race, religion, sex or ability to pay. The primary source of funding for this program is a contract with the State of Louisiana, Department of Health and Hospitals, Office of Human Services, Division of Alcohol and Drug Abuse, through a Federal Block Grant. Gatehouse is licensed by the Louisiana Department of Health and Hospitals. Under this license, Gatehouse agrees to provide room and board, individual and group counseling and peer support in a structured therapeutic environment.

Financial Statement Presentation

Effective for fiscal year ended June 30, 1996, Gatehouse began the application of the new accounting standards as prescribed by SFAS 117, Financial Statements of Not-for-Profit Organizations. Under SFAS 117, Gatehouse 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, Gatehouse is required to present a statement of cash flows. As permitted by this new statement, Gatehouse has altered its use of fund accounting (for reporting purposes) and has, accordingly, reclassified its financial statements to present the three classes of net assets required.

Gatehouse has only unrestricted and temporarily restricted classes. The reclassification had no effect on the change in net assets for the fiscal year ended June 30, 2010.

Continued

### Contributions

Effective for fiscal year ended June 30, 1996, Gatehouse began the application of the new accounting standards as prescribed by SFAS 116, **Accounting for Contributions Received and Contributions Made**. In accordance with SFAS 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Under SFAS 116, such contributions are now required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration or expenditures of the funds. In effect, the recognition of this as support occurs at the receipt of the award, regardless of when the money is spent.

### Deferred Revenue – Grants and Exchange Transactions

Some grants are actually “exchange transactions” that do not qualify as contributions under SFAS 116. In such cases, revenue is not recognized until the services required by the grant are rendered. Until the revenue is recognized, any cash or grant receivable asset must be offset by a “deferred or unearned revenue” liability. These exchange transactions differ from contributions in that the method or type of services rendered is stipulated by the granting authority and not by the nonprofit organization.

### Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Compensated absences / Post-employment benefits

Under SFAS 43 and 112, an employer generally is required to accrue a liability for employees' rights to receive compensation for future absences and post-employment benefits. The amount of the compensation is not reasonably estimable and, therefore, no such liability has been accrued. However, with only four full-time staff members, any unrecorded amounts at June 30, 2010 would be immaterial.

### Functional expenses

Expenses are charged to one of three program services (dietary & medical, physical plant, supervision) based on direct expenditures incurred. Any expenditures not directly chargeable are allocated to the respective programs based on related salary expenses, time sheets, or other appropriate method that is reasonable and measurable. The statement of functional expenses lists both program service expenses and management expenses by natural classifications.

Continued

### Income tax status

The organization qualifies as a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. An annual Form 990 tax return is filed with the Internal Revenue Service.

### Property and equipment

Property and equipment purchased is recorded at cost; the fair market value of donated assets is similarly capitalized and the donation recorded as restricted or unrestricted support. Depreciation is computed on the straight-line method over the estimated useful lives of the individual assets, ranging from five to twenty years.

### Grants and contract revenue

Grants and contract revenue received that are of a cost reimbursement nature are recognized as revenue at the time the cost is incurred for the purpose for which the revenue was billed. Unreceived amounts from previously awarded grants are recorded as grants receivable. Unrestricted grants are recognized as revenue when awarded.

### Accrual Basis of Accounting

The books are routinely maintained on a cash basis and are converted to the accrual basis at year-end for these financial statements. Accrual basis accounting records revenue when earned rather than when received and records expenses when incurred rather than when paid, in accordance with U.S. generally accepted accounting principles.

### Cash Equivalents

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

### **Note B - Note Payable – MidSouth Bank**

The Board of Directors approved a corporate resolution to borrow \$33,922 on October 3, 2003 to pay off the Iberia Bank loan, to fund new roofs on both the men's and women's houses, a new A/C-heat unit, and working capital. The mortgage loan is collateralized by the men's house at 206 S. Magnolia Street and the women's house at 305 S.E. Evangeline Thruway. The board also approved a \$10,000 line of credit with Midsouth Bank for additional working capital and repairs. The mortgage interest rate is 6.00% and the line of credit rate is 10.50%.

On June 30, 2010, the balance on the second mortgage was \$9,016 and the balance on the line of credit was \$1,428. The mortgage is on an 8-year amortization schedule ending October 15, 2011, and the line of credit is on a 4-year amortization ending December 25, 2010.

Scheduled payments under current obligations:

Year Ended June 30,

2011	\$ 5,644
2012	4,800
2013	-0-
2014	-0-
2015 and thereafter	-0-
Total	<u>\$10,444</u>

**Note C - Federal, State and Local Financial Assistance and Grant Awards**

<u>Grantor/Program Title</u>	<u>Amount Earned Y/E June 30, 2010</u>
State of Louisiana, Department of Health and Hospitals, Office for Addictive Disorders (through a Federal Block Grant) CFDA #93.959	\$142,980
Consolidated Government of Lafayette ESG Grant	<u>12,000</u>
Total governmental funding	<u>\$154,980</u>

The aforementioned contract with the State of Louisiana is operated on a per diem reimbursement basis. The 2009-2010 contract was renewed for 2010-2011 for a maximum reimbursement of \$131,400 effective July 1, 2010. This represents a per diem of \$30 for 12 beds (7 male 5 female), a decrease from 14 beds.

The aforementioned grants from the Lafayette Consolidated Government (ESG funds) can be used for operational expenses.

The following is a breakdown of Grants/Contracts Receivable:

State Contract	\$10,710
LCG/SG - 2010	<u>12,000</u>
Total Grants/Contracts Receivable	<u>\$22,710</u>

Continued

**Note D - Client Rent/Fees**

The organization, as part of their recovery program for the residents as well as a source of income, charges and collects rent and fees on a weekly, sliding, scale basis as well as admit and equipment usage fees. Rental and fee revenue of \$23,368 reflected in the financial statements is recorded on the cash basis. Because rent is collected and recorded weekly, any adjustment to the accrual basis is deemed immaterial.

**Note E - Donated Materials, Food, Clothing, & Supplies**

Donated materials, food, clothing, and supplies are reflected as In-kind Donations in the accompanying statements at their fair market value. For the year ended June 30, 2010, donations were valued at \$38,951.

**Note F - Contributed Services (In-Kind)**

Effective for the fiscal year ended June 30, 1996, Gatehouse began the application of the new accounting standards as prescribed by SFAS 116 and 117. Accordingly, contributed services of volunteers shall only be recognized in the statement of activities if the services received:

- a) Create or enhance non-financial assets (land, buildings, etc.); or,
- b) Require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations.

Professional services of \$3,950 contributed during the year are reflected in the accompanying financial statements.

**Note G - Concentrations**

Approximately 80% of Gatehouse's cash support was provided by revenue from the state contract with the Louisiana Department of Health & Hospitals (OAD). The new contract for 2010-2011 has been approved for \$131,400 (12 beds), and the DHH license has been renewed through June 30, 2011.

**Note H - Subsequent Events**

Subsequent to the balance sheet date, the state authorized the 2010-11 contract for \$131,400. This represents a per diem rate of \$30, but reduced to 12 beds authorized. The actual amount realized from the contract will be determined by occupancy during the contract year. Additionally, LCG awarded an ESG Grant of \$15,000 from the Louisiana Department of Social Services for 2010-11.

**Note I - Related Party Transactions**

As of June 30, 2010 Gatehouse had approximately \$15,500 owed to Executive Director Shirley Chaisson for past due salary, reimbursement for expenses, purchases of equipment, etc. These transactions essentially amount to an unsecured loan at no interest to fund the operating deficit of approximately the same amount. The balance owed is included in accounts payable on the accompanying statement of financial position. In spite of significant increases in donated food and supplies over the past two years, Gatehouse is still not able to cover operating expenses on the reduced state contract for only 12 beds. This is a decrease of approximately \$25,000 per year. This deficit has raised questions about Gatehouse's ability to continue as a going concern. See footnote J.

**Note J - Going Concern Issues**

The combination of a \$25,000 decrease in State of Louisiana funding, serious budget shortfalls at the state level expected in 2010-2011, and the loss of the annual United Way funding has created a current year operating loss of over \$20,000 which is projected to be a similar loss in 2010-2011. Gatehouse has a *deficit balance* in Unrestricted Operating Fund Balance as of June 30, 2010 of over \$25,000.

Management has plans to refinance the mortgage and the line of credit, which have been paid down to about \$9,000 and \$1,000 respectively. Management also has plans to seek additional grant revenue sources and additional donors of both cash and in kind donations. The success of these new initiatives cannot be determined at this time.

**SUPPLEMENTAL INFORMATION**

GATEHOUSE FOUNDATION, INC.

SCHEDULE A

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2010

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Award</u>	<u>Federal Disbursements</u>
U.S. Department of H.U.D./ Emergency Shelter Grant (A)	14.231	\$ 12,000	\$ 12,000
U.S. Department of Health & Human Services (B)	93.959	\$142,980	\$142,717
Total		<u>\$154,980</u>	<u>\$154,717</u>

(A) Through Lafayette Consolidated Government

(B) Through Louisiana Department of Health and Hospitals, Office of Addictive Disorders. This is a State contract paid on a per diem basis of \$30 per day per bed, 12 bed maximum.

GATEHOUSE FOUNDATION, INC.  
SCHEDULE B  
SUMMARY OF CURRENT YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2010

Significant Deficiencies and/or Instances of Non-Compliance

Individually and collectively, the following items constitute significant deficiencies that merit attention by those charged with governance. Items 1,3 and 4 could also be considered instances of non-compliance with requirements of the State Contract:

- 2010-1. Inadequate segregation of duties with regard to banking, check writing, bill paying, payroll processing, and financial reporting.
- 2010-2. Employees lack the qualifications and training to fulfill their assigned functions in the area of accounting, reporting, payroll taxes, etc. Although this is mitigated by contracting outside services.
- 2010-3. No budget preparation or monitoring by management or Board.
- 2010-4. Poor attendance at Board meetings, infrequent Board meetings, and lack of proper oversight by Board of Directors due to large turnover and absenteeism at Board meetings, and lack of skills possessed by Board members in areas that could help Gatehouse.

GATEHOUSE FOUNDATION, INC.  
MANAGEMENT'S RESPONSE & CORRECTIVE ACTION PLAN  
TO CURRENT YEAR FINDINGS

Corrective Action Plan in response to the deficiencies noted:

**Significant Deficiencies and/or Instances of Non-Compliance**

2010-1. Segregation of Duties:

Banking, accounting, and check writing duties will be shared between Board member volunteers, the Executive Director, and the outside contract bookkeeper.

2010-2. Employee Qualifications:

All general ledger accounting and payroll tax report filing has been outsourced to the contract bookkeeper.

2010-3. Budget:

The Board is in the process of finalizing the 2011 budget, which will be monitored monthly or quarterly.

2010-4. Board:

The Board has added three new members with various skills and backgrounds.

**SUMMARY OF AUDIT RESULTS:**

Type of Report: *Qualified Going Concern Opinion*  
Material Noncompliance: *Significant Deficiencies*  
Report on Compliance and Controls: *Significant Deficiencies*  
Qualifies as low risk auditee: *No*