FRIENDS OF FAMILIES/BATON ROUGE, INC.

Baton Rouge, Louisiana

FINANCIAL REPORT

December 31, 1999

FRIENDS OF FAMILIES/BATON ROUGE, INC.
Baton Rouge, Louisiana

TABLE OF CONTENTS

FAULK WINKLER LLC
Certified Public Accountants • Business Advisors

INDEPENDENT AUDITORS' REPORT

Board of Directors
Friends of Families/Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the accompanying statements of assets, liabilities and net assets – modified cash basis of **FRIENDS OF FAMILIES/BATON ROUGE, INC.** (a non-profit organization), as of December 31, 1999 and 1998, and the related statements of activities and changes in net assets – modified cash basis for the years then ended. These financial statements are the responsibility of the Friends of Families' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. These 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 audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, except that the statements include a provision for depreciation of equipment. This basis is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets resulting from cash transactions of **FRIENDS OF FAMILIES/BATON ROUGE, INC.**, as of December 31, 1999 and 1998, and the activities and the changes in net assets for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 16, 2000, on our consideration of the Friends of Families' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Faulk & Winkler LLC
Certified Public Accountants

Baton Rouge, Louisiana
June 16, 2000

Exhibit A

FRIENDS OF FAMILIES/BATON ROUGE, INC.

Baton Rouge Louisiana

STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS

December 31, 1999 and 1998

ASSETS

	1999	1998
CASH	$ 37,745	$ 57,776
INVESTMENT	60,237	-
PROPERTY AND EQUIPMENT, net	24,580	4,370
Total assets	$ 122,562	$ 62,146

LIABILITIES AND NET ASSETS

	1999	1998
LIABILITIES		
Payroll taxes payable and other accrued liabilities	$ 493	$ 442
Due to officer	200	200
Total liabilities	693	642
NET ASSETS		
Unrestricted	121,869	61,504
Total liabilities and net assets	$ 122,562	$ 62,146

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

Exhibit B

FRIENDS OF FAMILIES/BATON ROUGE, INC.

Baton Rouge Louisiana

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS

For the years ended December 31, 1999 and 1998

	1999	1998
SUPPORT		
Grant:		
Louisiana Office of Community Services	$ 75,000	$ -
HUD grant	45,999	22,794
Other	1,624	-
Contributions:		
Community	55,227	95,535
Individual	6,413	8,145
Program services	15,250	27,191
Miscellaneous:		
Recovery of funds	2,668	2,260
Other	1,111	885
Total support	203,292	156,810
EXPENSES		
Salaries	71,130	50,486
Payroll taxes	5,441	3,862
Insurance	8,996	3,627
Outside services	32,880	22,155
Telephone	3,283	2,103
Office	1,938	2,680
Rental	1,740	1,777
Family assistance	2,851	1,331
Repair and maintenance	594	399
Legal and accounting	2,880	1,312
Depreciation	4,706	1,039
Miscellaneous	6,488	2,895
Total expenses	142,927	93,666
Change in net assets	60,365	63,144
NET ASSETS - UNRESTRICTED		
Beginning of year (deficit)	61,504	(1,640)
End of year	$ 121,869	$ 61,504

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

FRIENDS OF FAMILIES/BATON ROUGE, INC.
Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

The Friends of Families/Baton Rouge, Inc. (Friends of Families) is a church affiliated non-profit organization working with homeless families in south Louisiana, unemployed youth and adults to enhance work possibilities and develop new job opportunities. The organization funds its program through contributions from various organizations, individuals, and grants.

Basis of presentation

Friends of Families prepares its financial statements on the modified cash basis of accounting but includes depreciation of capitalized assets. Under this basis, revenues are recognized when received rather than when earned, and expenses are recognized when cash is disbursed rather than when the obligation is incurred. All expenses of the organization are classified as program services.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations.* Under SFAS No. 117, Friends of Families is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Friends of Families does not have any temporarily or permanently restricted net assets.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Estimates relate primarily when accounting for depreciation.

Investments

Investments have been recorded at market value, with the amount of unrealized gain or loss recorded in the statement of activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grant revenue

Friends of Families received two grants to support their activities. One program is funded through an agreement with City of Baton Rouge/Parish of East Baton Rouge which is funded by the U.S. Department of Housing and Urban Development. Friends of Families received $45,999 and $22,794 for the years ended December 31, 1999 and 1998, respectively. The other program is funded by the Department of Social Services, State of Louisiana. Friends of Families received $75,000 in 1999 from this program.

Depreciation

Purchased fixed assets are recorded at cost. Fixed assets are depreciated over their estimated useful lives.

Vacation and Sick Leave

Unused vacation and sick leave lapse at year-end, except that vacation may be awarded subsequently at the discretion of the Executive Director. Accordingly, amounts related to such absences, if any, have not been accrued at December 31, 1999.

Volunteer services

During the year ended December 31, 1999, the value of volunteer services meeting the requirement for recognition in the financial statements was not material and has not been recorded.

Income tax status

Friends of Families qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code; therefore, the financial statements have no provision for federal and state income tax.

NOTE 2 - INVESTMENTS

Investments consist of mutual funds held with a local foundation. The carrying value is $60,236, which approximates market value. During 1999, $236 in dividends was received.

NOTE 3 - FIXED ASSETS

At December 31, 1999 and 1998, fixed assets were as follows:

	Estimated Service Life	1999	1998
Furniture and fixtures	5 - 7 years	$ 8,395	$ 5,505
Auto	5 years	22,025	-
		30,420	5,505
Less accumulated depreciation		(5,841)	(1,135)
		$ 24,580	$ 4,370

Depreciation expense amounted to $4,706 and $1,039 for the years ended December 31, 1999 and 1998, receptively.

NOTE 4 - SIGNIFICANT SOURCES OF REVENUE

Approximately 79% of the 1999 contributions were from Capital Area United Way and Baton Rouge Area Foundation, and 63% of the 1998 contributions were from Capital Area United Way and Pennington Foundation.

NOTE 5 - RELATED PARTY TRANSACTIONS

During the year ended December 31, 1997, Friends of Families received an advance from a board member and his relative. The loans are non-interest bearing and are due on demand. At December 31, 1999 and 1998 the balances of these loans were $200.

NOTE 6 - RECOVERY OF FUNDS

The recovery of funds results from restitution of funds misappropriated by a former treasurer of Friends of Families in a prior period. At December 31, 1999 and 1998, a balance of approximately $18,000 and $21,000, respectively, excluding accrued interest, remained unpaid. The balance bears interest at 9.75% and has not been recorded in these financial statements.

NOTE 7 - DONATED FACILITIES

Friends of Families utilizes, without charge, certain premises owned by the First United Methodist Church of Baton Rouge. This item is not reflected as support and expense in the financial statements.

NOTE 8 - EMPLOYEE BENEFIT PLAN

Friends of Families has a retirement plan covering substantially all of its employees. Retirement benefit expense is funded through periodic contributions to the plan.

Special Independent Auditors' Report

FRIENDS OF FAMILIES/BATON ROUGE, INC.

Baton Rouge, Louisiana

December 31, 1999

FAULK & WINKLER LLC
Certified Public Accountants • Business Advisors

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

Board of Directors
Friends of Families/Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the accompanying financial statements of **FRIENDS OF FAMILIES/BATON ROUGE, INC.** (Friends of Families) as of and for the year ended December 31, 1999, and have issued our report thereon dated June 16, 2000. We conducted our audit in accordance with 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.

Compliance

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

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Friends of Families' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted 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 the Friends of Families' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

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

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However, we noted the following matter involving internal control over financial reporting that we consider to be a material weakness as defined above.

Segregation of Duties

Observation: There is not sufficient segregation of duties to have effective internal control over financial reporting. The finding results from the small size of the organization. These limitations allow no opportunity for meaningful segregation of duties.

Recommendation: No action recommended.

Management's corrective action plan: We concur with the finding.

This report is intended for the information of the Board of Directors, management, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Faulk + Winkler LLC

Certified Public Accountants

Baton Rouge, Louisiana
June 16, 2000