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FAMILY ROAD OF GREATER BATON ROUGE, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2003

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FAMILY ROAD OF GREATER BATON ROUGE, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2003 AND 2002

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Family Road of Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of Family Road of Greater Baton Rouge, Inc. (a non-profit organization) as of September 30, 2003 and 2002, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audits 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 our audits provide 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 Family Road of Greater Baton Rouge, Inc. as of September 30, 2003 and 2002, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of federal financial awards on pages 16 - 17 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 basic financial statements. Such information has been subjected to the auditing 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 reports dated January 6, 2004 on our consideration of Family Road of Baton Rouge's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

Postlethwaite & Netterville

Baton Rouge, Louisiana
January 6, 2004

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FAMILY ROAD OF GREATER BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2003 AND 2002

ASSETS

	2003	2002
CURRENT ASSETS		
Cash	$ 34,963	$ -
Accounts receivable	131,085	21,215
Prepaid expenses	7,155	1,693
Total current assets	173,203	22,908
PROPERTY AND EQUIPMENT		
Furniture and equipment	191,862	185,568
Leasehold improvements	379,049	379,049
	570,911	564,617
Less: Accumulated depreciation	(237,299)	(167,989)
	333,612	396,628
Total Assets	$ 506,815	$ 419,536

LIABILITIES AND NET ASSETS

	2003	2002
CURRENT LIABILITIES		
Outstanding checks in excess of bank balance	$ -	$ 11,483
Deferred grant income	-	8,209
Accrued expenses	88,529	75,732
Accounts payable	296,407	67,450
Note payable - current portion	172,720	172,720
Total current liabilities	557,656	335,594
LONG-TERM LIABILITIES		
Note payable - less current portion	113,429	113,429
Total long-term liabilities	113,429	113,429
Total liabilities	671,085	449,023
NET ASSETS		
Unrestricted	(174,510)	(115,045)
Temporarily restricted	10,240	85,558
Total net assets	(164,270)	(29,487)
Total Liabilities and Net Assets	$ 506,815	$ 419,536

The accompanying notes are an integral part of these statements.

FAMILY ROAD OF GREATER BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2003 AND 2002

	2003	2002
CHANGES IN UNRESTRICTED NET ASSETS:		
REVENUES AND GAINS		
Contributed services	$ 242,537	$ 233,843
Donated facilities and materials	106,353	123,535
Public support	9,428	10,226
Miscellaneous	31,423	12,461
Total revenues	389,741	380,065
NET ASSETS RELEASED FROM RESTRICTIONS:		
Satisfaction of program restriction	1,437,754	630,660
Total revenue and support	1,827,495	1,010,725
EXPENSES		
Program	1,669,166	950,806
Management and general	183,127	73,539
Fundraising	34,668	11,204
Total expenses	1,886,961	1,035,549
Change in unrestricted net assets	(59,466)	(24,824)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Grant income	1,362,437	683,731
Net assets released from restrictions	(1,437,754)	(630,660)
Change in temporarily restricted net assets	(75,317)	53,071
CHANGE IN NET ASSETS	(134,783)	28,247
Net assets at beginning of year	(29,487)	(57,734)
Net assets at end of year	$ (164,270)	$ (29,487)

The accompanying notes are an integral part of these statements.

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FAMILY ROAD OF GREATER BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2003 AND 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (134,783)	$ 28,247
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	69,310	49,881
Changes in operating assets and liabilities:		
Accounts receivable	(109,870)	(8,663)
Prepaid expenses	(5,462)	(884)
Deferred grant income	(8,209)	8,209
Accrued expenses and accounts payable	241,754	55,146
Net cash provided by operating activities	52,740	131,936
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(6,294)	(173,171)
Net cash used in investing activities	(6,294)	(173,171)
CASH FLOWS FROM FINANCING ACTIVITIES		
Outstanding checks in excess of bank balance	(11,483)	11,483
Principal payments on notes payable	-	(17,171)
Net cash used in financing activities	(11,483)	(5,688)
Net increase (decrease) in cash	34,963	(46,923)
Cash - beginning of year	-	46,923
Cash - end of year	$ 34,963	$ -
Interest paid during the year	$ -	$ -

The accompanying notes are an integral part of these statements.

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FAMILY ROAD OF GREATER BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED SEPTEMBER 30, 2003 AND 2002

	2003			
	Program Expenses	Management and General	Fundraising	Total
Salaries and professional fees	$ 768,687	$ 103,543	31,420	$ 903,650
Payroll taxes and employee benefits	41,768	7,364	2,306	51,438
Utilities and building maintenance	5,281	605	-	5,886
Insurance	95,375	20,747	497	116,619
Minor equipment	2,181	-	-	2,181
Depreciation	60,734	8,576	-	69,310
Interest expense	-	-	-	-
In-kind donations (program)	244,294	-	-	244,294
Meetings, travel and education	76,176	1,424	-	77,600
Dues/books	6,263	-	-	6,263
Legal and audit fees	-	15,313	-	15,313
Marketing	138,009	6,820	-	144,829
Rent	54,041	12,975	-	67,016
Telephone	18,409	692	-	19,101
Office and computer supplies	19,258	1,853	-	21,111
Printing	14,171	638	-	14,809
Postage	3,078	366	-	3,444
Other	121,441	2,211	445	124,097
	$ 1,669,166	$ 183,127	$ 34,668	$ 1,886,961

The accompanying notes are an integral part of these statements.

	2002			
	Program Expenses	Management and General	Fundraising	Total
Salaries and professional fees	$ 375,772	$ 43,480	$ 10,171	$ 429,423
Payroll taxes and employee benefits	19,474	3,159	743	23,376
Utilities and building maintenance	6,735	355	-	7,090
Insurance	58,828	2,239	290	61,357
Minor equipment	18,264	45	-	18,309
Depreciation	47,888	1,993	-	49,881
Interest expense	-	4,448	-	4,448
In-kind donations (program)	260,532	-	-	260,532
Meetings, travel and education	22,256	903	-	23,159
Dues/books	5,793	-	-	5,793
Legal and audit fees	-	8,715	-	8,715
Marketing	3,257	751	-	4,008
Rent	61,413	3,232	-	64,645
Telephone	3,585	99	-	3,684
Office and computer supplies	14,427	1,756	-	16,183
Printing	3,361	-	-	3,361
Postage	1,091	234	-	1,325
Other	48,130	2,130	-	50,260
	$ 950,806	$ 73,539	$ 11,204	$ 1,035,549

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FAMILY ROAD OF GREATER BATON ROUGE, INC

BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

1. **Summary of Significant Accounting Policies**

Organization and Purpose

Family Road of Greater Baton Rouge, Inc. (the Organization) is a non-profit organization which was created to provide a place to help meet the needs of families through collaboration and coordination of community resources. The sources of income to the Organization include donations (public support), grants, donated services, and materials.

Basis of Accounting and Reporting

The Organization prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Income Taxes

The Organization has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. Accordingly, no provision for income taxes on related income has been included in the financial statements.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. The Organization does not have any permanently restricted net assets.

Property and Equipment

Property and equipment are stated at historical cost. Depreciation of property and equipment is based upon the estimated useful service lives of the assets using the straight-line method, which range from 5-12 years. Maintenance and repairs are charged to expense, while additions and improvements are capitalized.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FAMILY ROAD OF GREATER BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. ***Summary of Significant Accounting Policies (continued)***

Contributed Services

The Organization recognizes contribution revenue for certain services received at the estimated fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donation.

Donated Materials and Equipment

Donated materials and equipment are reflected as contribution income and expense in the accompanying financial statements at their estimated values at the date of receipt. The Organization operates, with a minimal charge, certain premises upon which their office is located. The estimated fair rental value of the premises is reported as support and expense in the year in which the premises are used.

Pension Plan

Employees of the Organization are eligible to participate in Woman's Hospital Employee Retirement Savings Plan and Cash Balance Retirement Plan.

All employees are eligible to participate in the Employee Retirement Savings Plan at the date of hire. Full-time and part-time employees and are eligible for the matching contribution after completing one year of service, if they are at least twenty-one years old and have worked at least 1,000 hours annually. Employees can contribute up to $12,000 (or $14,000 if 50 years of age or older) of their pay. If eligible, the employee will receive a matching contribution, based on service, of 10%, 25% or 50% of the first 8% that the employee contributes to the Plan.

Employees are eligible to participate in the Cash Balance Retirement Plan after completing one year of service, if they are at least twenty-one years old and have been paid for at least 1,000 hours. The Plan provides salary credits each plan year of between 2% and 5% of pay, based on years of service. The cost of this benefit is paid by Family Road.

Functional Allocation of Expenses

The costs of providing the various programs and administrative activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated between program and administrative expense based on management's estimate.

Reclassification

Certain amounts in the 2002 financial statements have been reclassified to conform with the current year presentation.

2. Long-Term Debt

A summary of long-term debt at September 30, 2003 and 2002 is as follows:

	2003	2002
Baton Rouge Area Foundation; due in installments through 2005 with no interest. The debt has been discounted using an interest rate of 6%.	$ 300,000	$ 300,000
Woman's Hospital; due in installments through 2005 with no interest. The debt has been discounted using an interest rate of 6%.	44,143	56,864
	344,143	356,864
Less: discount for imputed interest	(57,994)	(57,994)
Less: forgiveness of debt	-	(12,721)
Less: current maturities	(172,720)	(172,720)
Long-term debt, net of current maturities	$ 113,429	$ 113,429

No payments have been made during the current year on long-term debt due to lack of sponsorship income. Woman's Hospital deferred the remainder of payments to future years with no additional charges. Management believes that the Organization will have sufficient funds in the year ended September 30, 2004 to resume making payments.

Total scheduled debt payments during the years ending September 30th, including the discount of $57,994, are as follows:

Year Ending	Amount
2004	$ 224,275
2005	119,868
	$ 344,143

The total interest expense for the years ended September 30, 2003 and 2002 was $- and $4,448, respectively. During the year ended September 30, 2002 Family Road adjusted the imputed interest estimate due to the delay of scheduled payments originally used in the calculation of this estimate.

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FAMILY ROAD OF GREATER BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

3. **Donated Materials**

The Organization received various donations of materials to be used both within the program and to be distributed to clients without charge. These contributions have been recorded as revenue with the offset recorded to expenditures. The values of donated materials received during the years ended September 30, 2003 and 2002 were $41,707 and $58,889, respectively.

4. **Contributed Facilities and Services**

The Organization has a relationship with The Woman's Hospital Foundation d/b/a Woman's Hospital that includes participation in Woman's Hospital benefit programs, as well as waivers of fees associated with rent and professional services. These contributions have been recorded as revenues with the offset recorded as expenditures. The value of contributed rent was $64,646 for the years ended September 30, 2003 and 2002. The value of professional services provided during the years ended September 30, 2003 and 2002 was $7,200.

During the years ended September 30, 2003 and 2002, the total value of contributed services meeting the requirements for recognition in the financial statements was $242,538 and $233,843, respectively. Contributed services represent volunteer hours worked by various social workers, nutritionists, and other professionals, including the aforementioned professional services provided by Woman's Hospital.

6. **Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following specific program services:

	2003	2002
Salaries and other program expenditures related to state and federal programs	$ 16,011	$ 71,666
Salaries and other program expenditures related to other programs	13,125	13,892
	$ 29,136	$ 85,558

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7. **Net Assets Released from Donor Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by the donors to the following programs:

	2003	2002
German Protestant Orphan Asylum	$ -	$ 796
TANF Grant	170,736	-
Office of Public Health – Maternal and Child Health Bureau	105,648	73,228
Office of Public Health – Women, Infant, and Children Supplemental Food Program	13,436	11,797
HRSA/MCH Bureau – Healthy Start	1,036,927	485,414
Huey and Angelina Wilson Foundation	38,020	6,305
Pennington Grant	19,780	-
BRAF	18,895	-
United Way	30,767	28,898
Barbier Fund	3,545	5,147
March of Dimes	-	6,305
	$ 1,437,754	$ 630,660

9. **Federal Award Program**

The Healthy Start Grant was awarded to the Organization during the year ended September 30, 2001. Qualified expenses will be reimbursed to the Organization up to $700,000 per year for four years. Funding is provided by the U.S. Department of Health and Human Services through the Health Resources and Services Administration-Maternal and Child Health Bureau. The goal of the Healthy Start grant funding is to enhance the community's service system to address significant disparities in infant mortality and other perinatal health indicators related to disparities or differences occurring due to lack of education, low income, disability, or living in rural areas.

10. **TANF**

In September of 2002, the Organization was awarded a grant from the Department of Social Services for a new fatherhood program offered by the Organization. Qualified expenses will be reimbursed to the Organization up to $149,999 for the fiscal year ended 2003. The goal of the fatherhood program is to offer programs to help educate new fathers.

11. **Subsequent Event**

As of March 1, 2004, the management agreement with The Woman's Hospital Foundation, d/b/a Woman's Hospital, that includes participation in Woman's Hospital benefit programs, as well as waivers of fees associated with rent and professional services, has been terminated. The Organization will operate as an independent entity. Woman's Hospital believes that the Organization can operate more efficiently as an independent organization.

12. Liquidity

As shown in the accompanying financial statements, the Organization incurred a net loss of $134,783 during the year ended September 30, 2003. This loss compounded with prior year losses, has created a deficit in net assets. In addition, current liabilities as of the year ended September 30, 2003 exceed current assets by $384,453. Since inception, the Organization has been dependent on Woman's Hospital for support, and as of March 1, 2004, this relationship has terminated. (See Note 11). The Organization has been dependent upon Woman's Hospital to cover payroll costs due to a two month delay in receiving reimbursable grant money from various grantors.

In addition, the Organization has debt to Woman's Hospital for start-up costs. However, there is no unrestricted revenue to make payments on this debt. Although the Organization has been very successful in obtaining restricted grants for programs which does cover program related expenses, there is no unrestricted revenue to pay for administrative and overhead costs.

Management's plans relating to the above liquidity issues are as follows:

- Management has identified ways to increase overhead reimbursement from grants.
- Management is in the process of implementing a fund-raising plan to obtain unrestricted funds.
- Woman's Hospital is delaying payment of the debt owed to them for at least one year.

Management believes that these plans, along with monitoring costs, will provide sufficient liquidity for the Organization for the coming year.

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

To the Board of Directors
Family Road of Greater
Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Family Road of Greater Baton Rouge, Inc. (Family Road) (a non-profit organization) as of and for the year ended September 30, 2003, and have issued our report thereon dated January 6, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether Family Road's 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 not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*. Family Road of Greater Baton Rouge, Inc. did not comply with the deadline required by LSA-RS 24:513, which requires audited financial statements to be submitted to the Legislative Auditor's Office within six months after an entity's fiscal year-end.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Family Road's 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Postlethwaite & Netterville

Baton Rouge, Louisiana
January 6, 2004

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Family Road of Greater
Baton Rouge, Inc.
Baton Rouge, Louisiana

Compliance

We have audited the compliance of Family Road of Greater Baton Rouge, Inc. (Family Road) (a non-profit organization) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2003. Family Road'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 Family Road's management. Our responsibility is to express an opinion on Family Road'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 Family Road'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 Family Road's compliance with those requirements.

In our opinion, Family Road complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September30, 2003. However, we noted other matters involving compliance which have been reported to management in a separate letter dated January 6, 2004.

Internal Control Over Compliance

The management of Family Road 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 Family Road's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance that we consider to be material weaknesses. However, we noted other matters involving the internal control over compliance which we have reported to Family Road management in a separate letter dated January 6, 2004.

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

Postlethwaite & Netterville

Baton Rouge, Louisiana
January 6, 2004

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FAMILY ROAD OF GREATER BATON ROUGE, INC.

SCHEDULE OF FEDERAL FINANCIAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

FEDERAL GRANT AGENCY/RECIPIENT STATE AGENCY/GRANT PROGRAM/NUMBER	FEDERAL CATALOGUE NUMBER	DISBURSEMENTS/ EXPENDITURES
U.S. Department of Health and Human Services		
Pass through from Health Resources and Services Administration Maternal and Child Health Bureau:		
Healthy Start	93.926E	$ 1,015,583
Pass through from the Department of Social Services		
TANF	93.558	170,736
		$ 1,186,319

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FAMILY ROAD OF GREATER BATON ROUGE, INC.

NOTES TO SCHEDULE OF FEDERAL FINANCIAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Family Road of Greater Baton Rouge, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B – RECONCILIATION OF EXPENSES TO FEDERAL EXPENDITURES

Program expenses	$	1,669,166
Non-cash adjustments, including depreciation	(	25,036)
Equipment purchases		3,692
Non-federal expenditures	(	461,503)
	$	1,186,319

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FAMILY ROAD OF GREATER BATON ROUGE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Family Road of Greater Baton Rouge, Inc.

2. No reportable conditions were disclosed during the audit of the financial statements.

3. No instances of noncompliance material to the financial statements of Family Road of Greater Baton Rouge, Inc. were disclosed during the audit, other than the one disclosed in B below.

4. No reportable conditions were disclosed during the audit of the major federal award programs.

5. The auditors' report on compliance for the major federal award programs for Family Road of Greater Baton Rouge, Inc. expresses an unqualified opinion.

6. There were no findings relative to the major federal award programs for Family Road of Greater Baton Rouge, Inc.

7. The programs tested as major programs include: the Healthy Start Program.

8. The threshold for distinguishing Types A and B programs was program expenditures equal to or exceeding $300,000.

9. Family Road of Greater Baton Rouge, Inc. did qualify as a low-risk auditee.

B. Findings and Questioned Costs

1) Noncompliance with reporting deadline

Criteria: Louisiana Revised Statute 24:513 requires all quasi-public entities to complete an audit of the entity's financial statements and transmitted to the Legislative Auditor within six months of the close of the entity's fiscal year.

Condition: Family Road of Greater Baton Rouge, Inc. did not submit their annual audited financial statements by March 31, 2004, which is six months after the close of their fiscal year.

Effect: The organization is not in compliance with the Louisiana Revised Statute 24:513.

Recommendation: The organization should comply with the Louisiana Revised Statute 24:513 for the year ended September 30, 2003, by having its annual audit complete and transmitted to the Legislative Auditor by March 31, 2004.

Management's Response

The board and management of Family Road of Greater Baton Rouge, Inc. are committed to meeting the deadline of March 31, 2004 for its September 31, 2004 audit. The Organization has hired an outside CPA to help with their bookkeeping and accounting records for fiscal 2004. This should help the Organization comply with the deadline.

FAMILY ROAD OF GREATER BATON ROUGE, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

NONE

P&N

Postlethwaite & Netterville

A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www.pncpa.com

To the Board of Directors
Family Road of Greater Baton Rouge, Inc.
Baton Rouge, LA

We have audited the financial statements of the Family Road of Greater Baton Rouge, Inc., for the year ended September 30, 2003 and have issued our report thereon. As part of our examination, we made a study and evaluation of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his audit of the financial statements.

The objective of internal control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of the financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

No matter how good a system, there are inherent limitations that should be recognized in considering the potential effectiveness of internal accounting. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the degree of compliance with the procedures may deteriorate. We say this simply to suggest that any system needs to be constantly reviewed and improved where necessary.

8550 United Plaza Blvd, Suite 1001 • Baton Rouge, LA 70809 • Tel: 225.922.4600 • Fax: 225.922.4611

During the course of our audit, we made the following observations which we feel should be brought to your attention. Concerning these matters, we offer the following comments and recommendations:

Travel Reimbursement

During our test of cash disbursements, we noted several travel reimbursements that were not in accordance with the agreed upon rate. Per the approved application employees should be reimbursed $.324 - $.325 based on their position. The items selected for testing were reimbursed at $.36 or $.30 which ever was the approved rate used by the hospital. We recommend that management more closely monitor employee reimbursement in order to assure they are being reimbursed at the approved rate for Healthy Start.

Indirect Costs

We noticed during our test of cash disbursements, that some indirect expenses were being charged as a direct expenditure in the Healthy Start grant. These items consisted of maintenance, temporary storage rental, and repairs. These amounts totaled approximately $1,700. Per a discussion with the Executive Director of Family Road, these errors are believed to have occurred due to lack of communication between the program department and accounting. We recommend that the new contract accountant be given clear guidance and a copy of the approved Healthy Start budget, in order to code expenditures appropriately in the general ledger.

Client Eligibility

During our test of client eligibility, P&N noted one client being served was outside of the project area. This client had a zip code of 70810. We recommend that management review all applications to ensure that only eligible applicants are approved for services.

We want to thank Family Road for the courtesies extended to us during the audit. If you have any questions or need any assistance in the implementation of these recommendations, we would be pleased to offer our services.

Postlethwaite & Netterville

Baton Rouge, Louisiana
January 6, 2004

P&N

FAMILY ROAD OF GREATER BATON ROUGE

323 East Airport Avenue • Baton Rouge, LA 70806
Phone (225) 201-8888 • Fax (225) 927-1010

March 29, 2004

Grover C. Austin, CPA, Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Austin:

This letter is written in conjunction with the audit of the financial statements of Family Road of Greater Baton Rouge, Inc. (Family Road) by Postlethwaite & Netterville for fiscal year ended September 30, 2003. We offer the following response to the letter dated January 6, 2004 from our auditors.

Travel Reimbursement

Family Road agrees with and will implement the recommendation by establishing one set rate for travel reimbursement according to the approved application.

Indirect Cost

As we understood Healthy Start Guidance states that items which address specific needs of the program could be charged as a direct expense for the Healthy Start Program. However, we will seek clarification from our program officer and will provide approval in writing for any items in question. In addition, our new accountant will receive a copy of the approved Healthy Start budget and a copy of the guidance in order to code expenditures appropriately in the general ledger.

Client Eligibility

As the error regarding eligibility was noted, management reviewed the current policy on eligibility and found it to be sufficient. This error noted by the auditor was one of human error. Management will take steps toward emphasizing to the supervisors the importance of establishing eligibility and will also put in place an additional audit requirement for supervisors regarding reviewing client charts.

We are grateful for the guidance and assistance provided to us by our auditors. If there are any questions please contact me at 201-8888 ext 3006.

Sincerely,

Dena Morrison

Dena Morrison
Executive Director

Cc: Boar d of Directors of Family Road of Greater Baton Rouge, Inc.

LEADING THE WAY TOWARD HEALTHIER FAMILIES

FAMILY ROAD OF GREATER BATON ROUGE
323 East Airport Avenue • Baton Rouge, LA 70806
Phone (225) 201-8888 • Fax (225) 927-1010

FAMILY ROAD OF GREATER BATON ROUGE, INC.

SUMMARY OF AUDIT RESULTS AND
FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2003

April 1, 2004

Grover C. Austin, CPA, Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Austin:

This letter is written in response to the summary audit results by Postlethwaite & Netterville for fiscal year ended September 30, 2003. We offer the following response to the letter.

A. Summary of Audit Results

(1) The auditors' report expressed an unqualified opinion on the financial statements of Family Road of Greater Baton Rouge, Inc. as of and for the year ended September 30, 2003.

(2) One instance of noncompliance related to the financial statements of Family Road of Greater Baton Rouge, Inc. was disclosed during the audit as described in B below.

B. Findings and Questioned Costs

1) Noncompliance with reporting deadline

Criteria: Louisiana Revised Statute 24:513 requires all quasi-public entities to complete an audit of the entity's financial statements and transmitted to the Legislative Auditor within six months of the close of the entity's fiscal year.

Condition: Family Road of Greater Baton Rouge, Inc. did not submit their annual audited financial statements by March 31, 2004, which is six months after the close of their fiscal year.

Effect: The organization is not in compliance with the Louisiana Revised Statute 24:513.

Recommendation: The organization should comply with the Louisiana Revised Statute 24:513 for the year ended June 30, 2004(Family Road of Greater Baton Rouge, Inc. has changed its fiscal year), by having its annual audit complete and transmitted to the Legislative Auditor by December 31, 2004.

Management's Response

The board and management of Family Road of Greater Baton Rouge, Inc. are committed to meeting the deadline of December 31, 2004 for its June 30, 2004 audit.

We are grateful for the guidance and assistance provided to us by the auditors. If there are any questions please contact me at 201-8888 ext. 3006.

Sincerely,

Dena Morrison

Dena Morrison
Executive Director

Cc: Board of Directors of Family Road of Greater Baton Rouge, Inc.

FAMILY ROAD OF GREATER BATON ROUGE
323 East Airport Avenue • Baton Rouge, LA 70806
Phone (225) 201-8888 • Fax (225) 927-1010

March 29, 2004

Postlethwaite & Netterville
8550 United Plaza Boulevard, Suite 1001
Baton Rouge, LA 70809

Dear Sir:

We are writing this letter to update you on the status of the prior year management letter comments. Our comments are listed below:

Cash
Prior Year Comment

We noted during the course of our audit that during the month of October 2002, overdrafts occurred in the amount of $3,496.65 related to the September 30, 2002 negative cash balance. We recommend that the balances in the bank account be monitored more closely and that appropriate personnel be informed immediately if disbursements could potentially cause an overdrawn balance. We also recommend that management institute a cash management technique which will project what the cash needs of the Organization will be on a periodic basis.

Status

There were no significant overdraft fees incurred during the year ended September 30, 2003.

Allowable Costs
Prior Year Comment

During our test of cash disbursements, we noted a disbursement of $7,100 for a money management seminar given to Healthy Start clients. Management provided documentation of a budget letter received from the grantor agency concerning money management seminars for the second year budget. In this budget letter, the grantor agency notified management that these types of seminars would not be allowable for the second year budget going forward. Based on the criteria in the grant agreement, we were unable to determine if this was an allowable Healthy Start expenditure in the first year budget.

Allowable Costs

Prior Year Comment

Management indicated to us that verbal approval had been obtained from the grantor agency for the expenditure; however, no written documentation of that approval or the conversation was on file. After numerous attempts to obtain confirmation of this verbal approval from the grantor agency, we were notified that the program officer who had overseen the first year budget was no longer with the agency and therefore verbal approval could not be verified. The grantor agency also noted that that they did not intend to request reimbursement of the funds spent in the first year, but that Family Road was to pay for these seminars out of unrestricted funds going forward. We recommend that written authorization be obtained for any expenditure which is not specifically noted as allowable in the grant agreement, but approval was obtained from the grantor agency. We also recommend that any such approval be communicated to the appropriate committee of the board of directors.

We also noted the payment of $5.50 in fines/late fees related to the Executive Director's internet service and cellular phone. Although this amount is clearly inconsequential, the payment of fines/late fees using federal funds is prohibited. We recommend that all invoices be paid timely and that late fees, if incurred, are paid with unrestricted funds.

Status

Seminars were held the second budget year, however services were provided to clients as an in-kind. No monies were allocated or spent to provide these services during the year ended September 30, 2003.

Indirect Costs

Prior Year Comment

We noted during the course of our audit that Family Road has an approved indirect cost rate related to Healthy Start which is 10% of the allowable direct costs that are actually incurred during the period. During the fiscal year, Family Road requested indirect funds of $8,209 in excess of 10% of total direct funds expended during the same period. We recommend that the allocation base used when requesting indirect funds be the direct costs incurred during the same period in order to remain in compliance with the approved indirect cost rate agreement.

Status

The amount of indirect expenses requested for the year ended September 30, 2003, was less than 10% of total direct funds expended.

Suspension/Debarment
Prior Year Comment

Federal grant recipients are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of $100,000 and all nonprocurement transactions (i.e. subawards to subrecipients). Per discussion with management, Family Road is aware of this requirement but does not formally document compliance. We recommend documentation of compliance be maintained on file for all covered transactions.

Status

Family Road has complied with the documentation requirements regarding suspension/debarment for the fiscal year ended September 30, 2003.

Sincerely,

Dena Morrison

Dena Morrison
Executive Director