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FAMILY SERVICE OF GREATER NEW ORLEANS

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION COMPLIANCE AND INTERNAL CONTROLS OVER FINANCIAL REPORTING AND COMPLIANCE IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* AND OMB CIRCULAR A-133

Year Ended June 30, 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 MAR 1 1 1998

SPILSBURY, HAMILTON, LEGENDRE & PACIERA
CERTIFIED PUBLIC ACCOUNTANTS

FAMILY SERVICE OF GREATER NEW ORLEANS

Year Ended June 30, 1997

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SPILSBURY, HAMILTON, LEGENDRE & PACIERA
CERTIFIED PUBLIC ACCOUNTANTS
4731 CANAL ST.
NEW ORLEANS, LA. 70119
(504) 486-5573
FAX (504) 486-6091

KEITH T. HAMILTON, C.P.A.
LEROY P. LEGENDRE, C.P.A.
KIRTH M. PACIERA, C.P.A.

SIDNEY T. SPILSBURY, C.P.A.
(1905-1985)

MEMBERS OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

President and Board of Directors
Family Service of Greater New Orleans
New Orleans, Louisiana

We have audited the accompanying statement of financial position of Family Service of Greater New Orleans (a nonprofit organization) as of June 30, 1997, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Family Service's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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 Family Service of Greater New Orleans as of June 30, 1997, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Family Service's financial statements for the year ended June 30, 1996, from which the summarized information was derived.

President and Board of Directors
Family Service of Greater New Orleans

In accordance with *Government Auditing Standards*, we have also issued reports dated October 24, 1997, on our consideration of Family Service of Greater New Orleans' internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts and grants

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on pages 18 to 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements of Family Service of Greater New Orleans. The schedule of expenditures of federal awards on page 21 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*. 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.

Spilsbury, Hamilton, Legendre & Paciera

October 24, 1997

FAMILY SERVICE OF GREATER NEW ORLEANS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 1997
With Summarized Financial Information
for the Year Ended June 30, 1996

	1997	1996
ASSETS		
Cash and cash equivalents	$119,956	$122,591
Accounts receivable	189,538	155,949
Contributions receivable	87,663	0
Prepaid insurance	3,184	3,146
Prepaid pension cost	137,684	97,639
Assets restricted to investment in property and equipment	76,500	53,180
Equipment	224,867	226,756
Leasehold improvements	153,948	153,948
Accumulated depreciation	(285,728)	(284,777)
Assets restricted for permanent endowment	20,683	10,000
Total Assets	$728,295	$538,432
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 15,313	$ 19,636
Accrued pension cost	27,362	0
Accrued salaries	19,767	22,367
Accrued vacation	48,714	46,107
Deferred revenue	4,450	16,284
Capital lease payable	4,741	6,929
Total Liabilities	120,347	111,323
Net Assets:		
Unrestricted net assets	345,108	302,616
Temporarily restricted net assets	237,780	114,493
Permanently restricted net assets	25,060	10,000
Total Net Assets	607,948	427,109
Total Liabilities and Net Assets	$728,295	$538,432

See accompanying notes to financial statements.

FAMILY SERVICE OF GREATER NEW ORLEANS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 1997
With Summarized Financial Information
for the Year Ended June 30, 1996

	Unrestricted
SUPPORT AND REVENUE	
Contributions, private grants and membership dues	$ 7,556
Capital campaign contributions	0
Contributed services	4,282
Fees and grants from governmental agencies	655,910
Program service fees	346,701
Fund-raising revenue	36,187
Interest income	3,486
United Way allocations and designations	19,076
Miscellaneous revenue	2,726
Net assets released from restrictions	812,915
Total Support and Revenue	1,888,839
EXPENSES	
Program services:	
Counseling	1,345,352
Community education and training	157,710
	1,503,062
Supporting services:	
Fund-raising	56,740
Management and general	286,545
	343,285
Total Expenses	1,846,347
NET INCREASE (DECREASE) IN NET ASSETS	42,492
NET ASSETS	
Beginning of period, as previously stated	302,616
Prior period adjustments:	
Accounts receivable	0
Deferred revenue	0
Beginning of period, as restated	302,616
End of Period	$ 345,108

See accompanying notes to financial statements.

Temporarily Restricted	Permanently Restricted	1997 Total	1996 Total
$129,950	$ 0	$ 137,506	$ 141,243
150,879	15,060	165,939	0
0	0	4,282	0
0	0	655,910	545,568
0	0	346,701	375,215
0	0	36,187	39,207
2,660	0	6,146	7,432
652,713	0	671,789	651,912
0	0	2,726	3,861
(812,915)	0	0	0
123,287	15,060	2,027,186	1,764,438
0	0	1,345,352	1,407,269
0	0	157,710	165,375
0	0	1,503,062	1,572,644
0	0	56,740	32,750
0	0	286,545	264,448
0	0	343,285	297,198
0	0	1,846,347	1,869,842
123,287	15,060	180,839	(105,404)
114,493	10,000	427,109	515,219
0	0	0	29,758
0	0	0	(12,464)
114,493	10,000	427,109	532,513
$237,780	$25,060	$ 607,948	$ 427,109

FAMILY SERVICE OF GREATER NEW ORLEANS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 1997
With Summarized Financial Information
for the Year Ended June 30, 1996

	Program Services	
	Counseling	Community Education and Training
Salaries	$ 964,165	$103,304
Employees' retirement benefits and medical insurance	41,898	5,004
Payroll taxes	77,113	8,360
Total Employee Compensation	1,083,176	116,668
Advertising	991	149
Professional fees and contract service payments	31,064	3,970
Supplies	15,047	13,246
Telephone	17,403	1,402
Postage and messenger service	10,376	942
Occupancy	137,990	14,039
Insurance	4,411	371
Equipment maintenance	8,335	533
Printing and publications	13,542	3,600
Travel and other transportation	9,567	1,470
Conferences and meetings	1,268	485
Membership dues	592	33
Miscellaneous	1,200	65
National dues	7,717	737
Arbor tree sale	0	0
Bad debt expense	0	0
Depreciation	2,673	0
Totals	$1,345,352	$157,710

See accompanying notes to financial statements.

Supporting Services		Total Program and Supporting Services Expenses	
Fund-raising	Management and General	1997	1996
$27,000	$173,615	$1,268,084	$1,238,431
0	9,755	56,657	52,202
2,066	13,471	101,010	101,373
29,066	196,841	1,425,751	1,392,006
0	3,187	4,327	0
2,435	7,200	44,669	78,734
15,197	2,782	46,272	52,559
0	2,634	21,439	21,437
564	3,624	15,506	15,069
0	22,481	174,510	176,009
0	1,272	6,054	5,130
0	1,218	10,086	18,379
9,451	14,281	40,874	34,231
27	971	12,035	15,635
0	3,856	5,609	5,688
0	664	1,289	1,031
0	1,371	2,636	5,646
0	1,502	9,956	10,626
0	0	0	1,958
0	0	0	6,925
0	22,661	25,334	28,779
$56,740	$286,545	$1,846,347	$1,869,842

FAMILY SERVICE OF GREATER NEW ORLEANS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 1997
With Summarized Financial Information
for the Year Ended June 30, 1996

	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$180,839	$(105,404)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	25,334	28,779
Contributions restricted for purchasing property and equipment	(114,586)	(20,000)
Interest restricted for purchasing property and equipment	(2,604)	(2,720)
Contributions restricted for permanent endowment	(15,060)	0
(Increase) decrease in assets:		
Accounts receivable	(33,589)	69,807
Prepaid insurance	(38)	(1,048)
Prepaid pension cost	(40,045)	(39,475)
Increase (decrease) in liabilities:		
Accounts payable	(4,323)	4,534
Accrued pension cost	27,362	0
Accrued salaries	(2,600)	3,505
Accrued vacation	2,607	(2,785)
Deferred revenue	(11,834)	3,820
Net Cash Provided by (Used for) Operating Activities	11,463	(60,987)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in cash equivalents restricted for purchasing property and equipment	(30,681)	(5,310)
Purchase of investments restricted for purchasing property and equipment	(1,009)	(9,280)
Proceeds from sale or redemption of investments restricted for purchasing property and equipment	8,370	31,843
Purchase of equipment	(22,494)	(37,939)
Increase in cash equivalents restricted for permanent endowment	(683)	0
Purchase of investments restricted for permanent endowment	(10,000)	0
Net Cash (Used for) Investing Activities	(56,497)	(20,686)

See accompanying notes to financial statements.

FAMILY SERVICE OF GREATER NEW ORLEANS
STATEMENT OF CASH FLOWS
(Continued)
YEAR ENDED JUNE 30, 1997
With Summarized Financial Information
for the Year Ended June 30, 1996

	1997	1996
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for purchasing property and equipment	$ 31,300	$ 20,000
Interest restricted for purchasing property and equipment	2,604	2,720
Contributions restricted for permanent endowment	10,683	0
Repayment of capital lease obligation	(2,188)	(2,188)
Net Cash Provided by Financing Activities	42,399	20,532
Net (Decrease) in Cash and Cash Equivalents	(2,635)	(61,141)
Cash and Cash Equivalents -		
Beginning of Year	122,591	183,732
End of Year	$119,956	$122,591

Supplemental Schedule of Cash Flow Information

Cash paid during the year for:		
Interest	$ 0	$ 0
Income taxes	$ 0	$ 0

See accompanying notes to financial statements.

A. Description of Organization

Family Service of Greater New Orleans ("Family Service"), a non-profit organization, is a member agency of the Family Service America, and is a United Way Agency. Its principal programs include: (1) counseling individuals and families; and (2) community education and training.

Family Service is exempt from income tax under Section 501(c)(3) of the U. S. Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code.

B. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

Family Service prepares its financial statements on the accrual basis of accounting. The preparation of financial statements in conformity with generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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*, and the provisions contained in the AICPA Audit and Accounting Guide, "Not-for-Profit Organizations," June 1, 1996 Edition. Under SFAS No. 117, Family Service 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.

Reclassifications

Certain items in the prior-year summarized financial information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, Family Service considers all unrestricted highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Summary of Significant Accounting Policies (Cont'd)

Investments

Family Service elected to adopt SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations," in 1997. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in unrestricted or temporarily restricted net assets, depending on whether or not there are donor-imposed restrictions on the gains and losses. The adoption of SFAS No. 124 had no effect on the change in net assets for 1997 and 1996.

Equipment and Leasehold Improvements

Equipment and leasehold improvements greater than $500 are capitalized at their purchase price, or, in the case of a contributed asset, at the estimated fair market value at the date of receipt.

Depreciation is computed using the straight-line method over the following estimated lives:

Equipment	5 years
Leasehold improvements	10 years

Deferred Revenue

Employee assistance program revenue, which represents approximately 30% of program service fees, is based on calendar year contract agreements. Payments received for services not yet rendered at June 30, 1997 are recorded as deferred revenue.

Net Assets

Net assets are included in one of the following three classes of net assets, depending on the presence and type of donor-imposed restrictions.

Unrestricted Net Assets - Those net assets whose use is not restricted by donors.

Temporarily Restricted Net Assets - Those net assets whose use by Family Service has been limited by donors (a) to later periods of time or after specified dates, or (b) to specific purposes.

Summary of Significant Accounting Policies (Cont'd)

Net Assets (Cont'd)

Permanently Restricted Net Assets - Those net assets that must be maintained in perpetuity due to donor-imposed restrictions that will neither expire with the passage of time nor be removed by meeting certain requirements.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donor support in the form of cash and other assets is reported as restricted support if it is received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a 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.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Family Service reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Family Service reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Family Service recognizes contributed services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In 1997, management and general professional fees, totaling $4,282, were contributed to Family Service.

Summary of Significant Accounting Policies (Cont'd)

Functional Expenses

Costs are charged to program services, management and general, and fund raising functions based on direct expenditures incurred. Expenses not directly chargeable to these functional categories are allocated based on direct labor dollars.

C. Accounts Receivable

The accounts receivable at June 30, 1997 are categorized by source as follows.

Fees and grants from governmental agencies	$146,210
Program service fees	43,328
	$189,538

Management considers all accounts receivable to be collectible; therefore, there is no allowance for doubtful accounts.

D. Contributions Receivable

In 1997, Family Service conducted a capital campaign to obtain funding for the purchase of property and equipment and to establish a permanent endowment for Family Service. At June 30, 1997, contributions receivable related to the campaign were as follows.

	Temporarily Restricted	Permanently Restricted	Total
Contributions receivable -			
Less than one year	$61,200	$1,517	$62,717
One to five years	30,080	3,400	33,480
	91,280	4,917	96,197
Discount to net present value	(7,994)	(540)	(8,534)
Net Contributions Receivable	$83,286	$4,377	$87,663

A discount rate of 6.2%, based on the U.S. Treasury Note yield, was used to calculate the present value of estimated future cash flows of the contributions receivable. No allowance for uncollectible contributions has been recorded, since management considers all amounts to be fully collectible.

E. Investments

Investments in equity securities with readily determinable fair market values and all investments in debt securities are stated at fair value, which is based on quoted market prices for those investments.

The values of the investments by classification of net assets at June 30, 1997 are as follows.

Temporarily restricted:		
Cash equivalents restricted for purchasing property and equipment	$56,941	
Certificates of deposit	19,559	$76,500
Permanently restricted:		
Cash equivalents restricted for permanent endowment	10,683	
Mortgage-backed securities	10,000	20,683
Total Investments		$97,183

The following schedule summarizes investment income and its classification in the *Statement of Activities* for the year ended June 30, 1997.

Unrestricted	$3,486
Temporarily restricted	2,660
Total Investment Income	$6,146

All investment income received in 1997 was in the form of interest income.

F. Equipment and Leasehold Improvements

Equipment and leasehold improvements consist of the following.

Equipment	$224,867
Leasehold improvements	153,948
Accumulated depreciation	(285,728)
	$ 93,087

In 1997, depreciation expense was $25,334.

G. Retirement Plan

Family Service applied the provisions of Statement of Financial Accounting Standards No. 87, *Employers' Accounting for Pensions* ("SFAS-87"), beginning with 1989 for its defined benefit pension plan.

As of December 31, 1996, Family Service elected to curtail the plan. At that time, the plan ceased to accrue benefits and all participants became 100% vested in their accrued benefits. The plan termination settlement is expected to occur in 1998.

Prior to the curtailment, the plan covered substantially all of its employees. The benefits were based on final average earnings, credited service and the social security average annual wage. Final average earnings were by definition the highest average earnings during any 36 consecutive months out of the last 120 months of service. The annual retirement benefit payable at age 65 was computed as follows: 1-1/2% of final average earnings multiplied by total credited service plus 1/2% of final average earnings in excess of the social security average annual wage. The funding policy was to fund pension cost accrued. Contributions were intended to provide not only for benefits attributed to services to date, but also for those expected to be earned in the future.

The following table sets forth the plan's funded status as of June 30, 1997 and amounts recognized in the financial statements.

Actuarial present value of accumulated benefit obligations:	
Vested - 100% of participants	$(1,270,826)
Projected benefit obligations for service rendered to date	$(1,270,826)
Market value of plan assets	1,609,986
Excess of market value of plan assets over projected benefit obligations	339,160
Unrecognized net asset at transition (1/1/89) being recognized over 18 years	(30,752)
Remaining unrecognized prior service cost at transition	(170,724)
Prepaid pension cost as of June 30, 1997	$ 137,684

Retirement Plan (Cont'd)

Net pension cost includes the following components:

Service cost (benefits earned during the year)	$ 43,055
Interest cost on projected benefit obligations	90,072
Actual return on plan assets	(131,576)
Net amortization and deferral	(1,352)
Net periodic pension cost	$ 199

At June 30, 1997 the weighted average discount rate and expected long-term rate of return on assets was 6.0% and 8.0% respectively. The rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation was 4.0% prior to pension curtailment.

In accordance with Statement of Financial Accounting Standards No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Pension Plans," Family Service recognized net gains on curtailment to the extent of any unrecognized net losses. The remaining net gains, which relate to items existing at the date of the initial application of SFAS-87, will be recognized in the *Statement of Activities* when the plan is terminated.

Effective January 1, 1997, Family Service established a defined contribution retirement plan covering full-time employees over 21 years old having at least one year of service. Contributions to the plan are at the discretion of the Board of Directors. The amounts in a participant's account shall be 100% vested upon the attainment of his normal retirement age or, if earlier, upon meeting the applicable vesting requirements listed below.

Years of Vesting Service	Vesting Percentage
Less than 3	0
3	50
4	75
5	100

In the six-month period following the establishment of the new retirement plan, monthly contributions totaling $27,362 were based on 7.5% of the base salary of the eligible employees.

H. Commitments

Family Service presently conducts its operations at five locations in the Metropolitan New Orleans Area. The leases are operating leases expiring July 31, 1997 through December 31, 1999. All contain renewal options.

Rental expense amounted to $167,846 for the year ended June 30, 1997. Future minimum commitments under the lease agreements are as follows.

1998	$162,696
1999	143,075
2000	56,688
	$362,459

I. Capital Leases

Family Service leases two copiers under capital leases. The economic substance of these leases is that Family Service is financing the acquisition of the copiers through the leases. Accordingly, Family Service capitalized the copiers in the amount of $14,872.

Depreciation expense and accumulated depreciation on the copiers at June 30, 1997 was $2,974 and $8,776 respectively.

The future minimum lease payments required under the capital leases (including any amounts of interest) are as follows.

1998	$2,370
1999	2,188
2000	183
	$4,741

J. Unrestricted Net Assets

Unrestricted net assets consist of the following:

Carrying value after accumulated depreciation of equipment and leasehold improvements less directly related liabilities	$ 88,346
Net assets available for general activities	256,762
	$345,108

K. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes.

Community Education and Training Program activities:		
Hibernia Bank - Clinical Symposium	$ 56	
Families and Schools Together	73,671	
Step-up	551	
Mobil - St. Bernard Parish	3,716	$ 77,994
Purchases of property and equipment:		
Capital Campaign contributions	107,891	
Other	51,895	159,786
		$237,780

The following temporarily restricted net assets were released during 1997 due to the satisfaction of donor restrictions.

Counseling Program expenses:		
United Way		$590,634
Community Education and Training Program expenses:		
GPOA - New Start	$ 1,479	
GPOA - Anger Management	4,790	
Families and Schools Together	100,298	
Step-up	64	
United Way	62,079	168,710
Purchase of equipment		10,584
Payment of Capital Campaign expenses		42,987
		$812,915

L. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is restricted as follows.

Hibernia Bank - Clinical Symposium		$10,000
Available for general activities:		
Capital Campaign contributions	$ 5,060	
Other	10,000	15,060
		$25,060

M. Prior Period Adjustment

During the year ended June 30, 1996, it was discovered that program service fees consisting of employee assistance program (EAP) revenue and deferred revenue in connection with these EAP contracts were both understated in the June 30, 1995 financial statements. The following adjustment was made to restate the accounts affected.

	Deferred Revenue	Unrestricted Net Assets
As previously reported June 30, 1995	$ 0	$350,676
Unrecorded EAP revenue at June 30, 1995	12,464	17,294
As adjusted	$12,464	$367,970

SUPPLEMENTARY INFORMATION

FAMILY SERVICE OF GREATER NEW ORLEANS
SCHEDULE OF PROGRAM SERVICES SUPPORT, REVENUE AND EXPENSES
YEAR ENDED JUNE 30, 1997
With Summarized Financial Information
for the Year Ended June 30, 1996

	Counseling
SUPPORT AND REVENUE	
Private grants	$ 0
Fees and grants from governmental agencies	655,910
Program service fees	345,363
United Way allocations and designations	607,896
Total Direct Support and Revenue	1,609,169
Other revenue allocated (Schedule)	206,578
Total Support and Revenue	1,815,747
EXPENSES	
Salaries	964,165
Employees' retirement benefits and medical insurance	41,898
Payroll taxes	77,113
Total Employee Compensation	1,083,176
Advertising	991
Professional fees and contract service payments	31,064
Supplies	15,047
Telephone	17,403
Postage and messenger service	10,376
Occupancy	137,990
Insurance	4,411
Equipment maintenance	8,335
Printing and publications	13,542
Travel and other transportation	9,567
Conferences and meetings	1,268
Membership dues	592
Miscellaneous	1,200
National dues	7,717
Bad debt expense	0
Depreciation	2,673
Total Direct Expenses	1,345,352
Supporting services expenses allocated (Schedule)	308,956
Total Expenses	1,654,308
EXCESS SUPPORT AND REVENUE OR (EXPENSES)	$ 161,439

Community Education and Training	Total Program Services 1997	1996
$123,255	$ 123,255	$ 105,044
0	655,910	545,568
1,338	346,701	375,215
63,893	671,789	651,912
188,486	1,797,655	1,677,739
22,953	229,531	86,699
211,439	2,027,186	1,764,438
103,304	1,067,469	1,093,104
5,004	46,902	43,504
8,360	85,473	89,210
116,668	1,199,844	1,225,818
149	1,140	0
3,970	35,034	42,094
13,246	28,293	36,029
1,402	18,805	19,403
942	11,318	11,449
14,039	152,029	161,274
371	4,782	4,531
533	8,868	16,431
3,600	17,142	17,947
1,470	11,037	13,713
485	1,753	3,868
33	625	713
65	1,265	47
737	8,454	9,397
0	0	6,925
0	2,673	3,005
157,710	1,503,062	1,572,644
34,329	343,285	297,198
192,039	1,846,347	1,869,842
$ 19,400	$ 180,839	$ (105,404)

FAMILY SERVICE OF GREATER NEW ORLEANS
SCHEDULE OF OTHER REVENUE AND SUPPORTING
SERVICES EXPENSE ALLOCATED TO PROGRAMS
YEAR ENDED JUNE 30, 1997

OTHER REVENUE	
Contributions	$ 7,417
Membership dues	6,834
Capital Campaign contributions	165,939
Contributed services	4,282
Fund-raising revenue	36,187
Interest	6,146
Miscellaneous revenue	2,726
	$229,531
Allocated to programs as follows:	
Counseling	$206,578
Community education and training	22,953
	$229,531
SUPPORTING SERVICES EXPENSES	
Salaries	$200,615
Employees' retirement benefits and medical insurance	9,755
Payroll taxes	15,537
Total Employee Compensation	225,907
Advertising	3,187
Professional fees and contract service payments	9,635
Supplies	17,979
Telephone	2,634
Postage and messenger service	4,188
Occupancy	22,481
Insurance	1,272
Equipment maintenance	1,218
Printing and publications	23,732
Travel and other transportation	998
Conferences and meetings	3,856
Membership dues	664
Miscellaneous	1,371
National dues	1,502
Depreciation	22,661
	$343,285
Allocated to programs as follows:	
Counseling	$308,956
Community education and training	34,329
	$343,285

FAMILY SERVICE OF GREATER NEW ORLEANS
SCHEDULE OF CURRENT FINANCIAL ACTIVITIES
AND BUDGET COMPARISONS
YEAR ENDED JUNE 30, 1997

	Actual	Budget	Over/ (Under) Budget
SUPPORT AND REVENUE			
Contributions, private grants and membership dues	$ 137,506	$ 179,500	$(41,994)
Capital Campaign contributions	165,939	50,000	115,939
Contributed services	4,282	0	4,282
Fees and grants from governmental agencies	655,910	641,650	14,260
Program service fees	346,701	386,500	(39,799)
Fund-raising revenue	36,187	37,000	(813)
Interest income	6,146	1,200	4,946
United Way allocations and designations	671,789	671,143	646
Miscellaneous revenue	2,726	200	2,526
Total Support and Revenue	2,027,186	1,967,193	59,993
EXPENSES			
Salaries	1,268,084	1,341,823	(73,739)
Employees' retirement benefits and medical insurance	56,657	103,300	(46,643)
Payroll taxes	101,010	117,649	(16,639)
Total Employee Compensation	1,425,751	1,562,772	(137,021)
Advertising	4,327	6,296	(1,969)
Professional fees and contract service payments	44,669	48,604	(3,935)
Supplies	46,272	47,850	(1,578)
Telephone	21,439	19,003	2,436
Postage and messenger service	15,506	14,300	1,206
Occupancy	174,510	178,144	(3,634)
Insurance	6,054	6,000	54
Equipment maintenance	10,086	17,000	(6,914)
Printing and publications	40,874	29,650	11,224
Travel and other transportation	12,035	15,006	(2,971)
Conferences and meetings	5,609	7,794	(2,185)
Membership dues	1,289	1,500	(211)
Miscellaneous	2,636	1,588	1,048
National dues	9,956	11,000	(1,044)
Depreciation	25,334	0	25,334
Total Expenses	1,846,347	1,966,507	(120,160)
EXCESS SUPPORT AND REVENUE	$ 180,839	$ 686	$180,153

FAMILY SERVICE OF GREATER NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 1997

Grant Title	Federal CFDA Number	Pass-through Grantor's Number	Disbursements/ Expenditures
U.S. Department of Health and Human Services - Passed through State Department of Social Services:			
Passed through Volunteers of America of Greater New Orleans - Family Preservation and Support Services	93.556	506896	$ 31,501
Child Welfare Services State Grant - Foster Care and Special Parent Fund	93.645	020001635	64,935
Social Services Block Grant - Child abuse prevention:			
Orleans		507935	
St. Tammany		507872	
Jefferson	93.667	508027	176,469
Independent Living Skills	93.674	507579	109,510
U.S. Department of Justice - Passed through the Administrative Office of the U.S. Courts:			
Substance abuse and mental health treatment services	N/A	USCA 0531-93-01	117,021
Pretrial Services	N/A	N/A	19,427
Federal Bureau of Prisons	N/A	N/A	21,900
U.S. Department of Veterans Affairs - Passed through the Veterans Affairs Medical Center:			
Vietnam Veterans Readjustment Counseling Services	N/A	V629P-3044	600
Total Federal Awards			$541,363

NOTE: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

SPILSBURY, HAMILTON, LEGENDRE & PACIERA
CERTIFIED PUBLIC ACCOUNTANTS
4731 CANAL ST.
NEW ORLEANS, LA. 70119
(504) 486-5573
FAX (504) 486-6091

KEITH T. HAMILTON, C.P.A.
LEROY P. LEGENDRE, C.P.A.
KIRTH M. PACIERA, C.P.A.

SIDNEY T. SPILSBURY, C.P.A.
(1905-1985)

MEMBERS OF
AMERICAN INSTITUTE OF
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SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

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

President and Board of Directors
Family Service of Greater New Orleans
New Orleans, Louisiana

We have audited the financial statements of Family Service of Greater New Orleans ("Family Service") as of and for the year ended June 30, 1997, and have issued our report thereon dated October 24, 1997. 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 Family Service'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 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 Family Service'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. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Family Service of Greater New Orleans in a separate letter dated October 24, 1997.

This report is intended for the information of management, federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Spilsbury, Hamilton, Legendre & Paciera

October 24, 1997

SPILSBURY, HAMILTON, LEGENDRE & PACIERA

CERTIFIED PUBLIC ACCOUNTANTS
4731 CANAL ST.
NEW ORLEANS, LA. 70119
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

President and Board of Directors
Family Service of Greater New Orleans
New Orleans, Louisiana

Compliance

We have audited the compliance of Family Service of Greater New Orleans ("Family Service")(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 its major federal program for the year ended June 30, 1997. Family Service's major federal program is 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 its major federal program is the responsibility of Family Service's management. Our responsibility is to express an opinion on Family Service's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 Family Services.* 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 Service'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 Service's compliance with those requirements.

In our opinion, Family Service of Greater New Orleans complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1997.

Internal Control Over Compliance

The management of Family Service of Greater New Orleans 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 Service'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.

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 and its operation that we consider to be material weaknesses.

This report is intended for the information of management, federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Spilsbury, Hamilton, Legendre & Paciera

October 24, 1997

FAMILY SERVICE OF GREATER NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1997

A. **SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Family Service of Greater New Orleans.

2. No material weaknesses were identified during the audit of the financial statements.

3. No instances of noncompliance material to the financial statements of Family Service of Greater New Orleans were disclosed during the audit.

4. No material weaknesses were identified during the audit of the major federal award program.

5. The auditor's report on noncompliance for the major federal award program for Family Service of Greater New Orleans expresses an unqualified opinion.

6. There were no audit findings relative to the major federal award program for Family Service of Greater New Orleans.

7. The program tested as a major program was as follows:

   CFDA #93.667 — Social Services Block Grant (Child Abuse Prevention)

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

9. Family Service of Greater New Orleans was determined to be a low-risk auditee.

B. **FINDINGS - FINANCIAL STATEMENTS AUDIT**

None

C. **FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

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October 24, 1997

Mr. Robert Quintana, Executive Director
Family Service of Greater New Orleans
2515 Canal Street
New Orleans, LA 70119

Dear Mr. Quintana:

In planning and performing our audit of the financial statements of Family Service of Greater New Orleans ("Family Service") for the year ended June 30, 1997, we considered Family Service's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated October 24, 1997 on the financial statements of Family Service. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with you and/or appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Investment Accounts

Unrestricted Funds

As of June 30, 1997, there were four money market accounts at Eureka Homestead which contain unrestricted assets. We recommend that the following accounts be combined into one investment portfolio.

Eureka Homestead, Account #001-06-100502
Eureka Homestead, Account #001-06-100622
Eureka Homestead, Account #001-06-100682
Eureka Homestead, Account #001-06-100916

This combination will decrease administrative costs associated with maintaining the separate accounts and will allow for greater investment opportunities.

Temporarily Restricted Funds

It was noted during our audit that the organization currently has funds in the Eureka Homestead Account #001-06-101116 which are available for the following programs:

Mobil-St. Bernard	$3,716.38
Step-up	551.45
Unrestricted	299.87
	$4,567.70

Family Service should consider spending these funds in 1998 according to the donor-imposed restrictions.

Permanently Restricted Funds

In 1997, Family Service received a $10,000 contribution from Hibernia Bank which is permanently restricted with interest income temporarily restricted for the Hibernia Bank Clinical Symposium.

As of June 30, 1997, included in the Merrill Lynch Account #594-07M94 (money market account) was the following amounts related to the Hibernia Bank endowment.

Permanently restricted	$10,000.00
Temporarily restricted	56.00
	$10,056.00

To allow for greater investment income opportunities, Family Service should consider investing the permanently restricted amounts in long-term investments.

Approved Time Sheets

During our payroll testing, it was noted that two of the twenty-five employee time sheets reviewed were not signed by the employee and the supervisor. Proper approval of time sheets ensures that contract workers are paid for the appropriate number of hours. Therefore, in fiscal year 1998, the accounting department should require all contract workers and their supervisors to approve the time sheets before the payroll checks are processed.

Office of Community Service (O.C.S.) - Form 210 Completion

During our compliance testing of the O.C.S. contracts, it was noted that one of the ten client billings selected did not have a completed Form 210. The Form 210 system is an important internal control procedure. It ensures that Family Service invoices O.C.S. for the appropriate fee based on the level of service provided to the client.

Office of Community Service (O.C.S.) - Form 210 Completion (Cont'd)

Therefore, in fiscal year 1998, the accounting department should require that all social workers submit both the Form 210 and the worker's log before O.C.S. is invoiced for the client service provided.

We wish to thank you and the accounting department for the support and assistance given us during our audit. This report is intended solely for your information and use by members of the management within your organization.

Sincerely,

Spilsbury, Hamilton, Legendre & Paciera

SPILSBURY, HAMILTON, LEGENDRE AND PACIERA
Certified Public Accountants