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**FAMILIES HELPING FAMILIES OF
SOUTHWEST LOUISIANA, INC.**

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 1996

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 AUG 26 1998

TABLE OF CONTENTS

	<u>Page</u>
Financial Statements:	
Independent Auditors' Report.....	1
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Functional Expenses.....	4
Statement of Cash Flows.....	5
Notes to the Financial Statements.....	6-9
Internal Control Reports:	
Independent Auditors' Report on the Internal Control Structure in Accordance with <u>Government Auditing Standards</u>	10-12
Independent Auditors' Report on Internal Control Structure Used in Administering Federal Financial Assistance.....	13-15
Compliance Reports:	
Independent Auditors' Report on Compliance with Laws and Regulations Based on an Audit of Financial Statements Performed in Accordance with <u>Governmental Auditing Standards</u>	16
Independent Auditors' Report on Compliance with General Requirements Applicable to Federal Financial Assistance Programs.....	17-18
Independent Auditors' Report on Compliance with Specific Requirements Applicable to Nonmajor Federal Financial Assistance Programs.....	19-20

TABLE OF CONTENTS

	<u>Page</u>
Other Supplementary Data:	
Independent Auditors' Report on Schedule of Federal Financial Assistance.....	21
Schedule of Federal Financial Assistance...	22
Schedule of Current Year Findings and Recommendations.....	23
Schedule of Prior Year Findings and Recommendations.....	24
Management's Corrective Action Plan.....	25

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Families Helping Families of SW Louisiana, Inc.
Lake Charles, Louisiana

We have audited the accompanying statement of financial position of Families Helping Families of SW Louisiana, Inc. (a nonprofit organization) as of September 30, 1996 and the related statement of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 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 Families Helping Families of SW Louisiana, Inc. as of September 30, 1996 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

July 28, 1998

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FAMILIES HELPING FAMILIES
OF SOUTHWEST LOUISIANA, INC.

STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 1996

ASSETS

CURRENT ASSETS:	
CASH	\$ 5,492
GRANTS RECEIVABLE	5,083

TOTAL CURRENT ASSETS	10,575
FIXED ASSETS: (NOTE 1B)	
EQUIPMENT AND FURNITURE	12,495
LIBRARY	6,676
BUILDING	67,728
BUILDING IMPROVEMENTS	438
LESS: ACCUMULATED DEPRECIATION	(7,220)

NET FIXED ASSETS	80,117

TOTAL ASSETS	\$ 90,692
	=====

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
PAYROLL TAXES PAYABLE	\$ 1,518
NOTE PAYABLE - BANK ONE (NOTE 5)	1,948

TOTAL CURRENT LIABILITIES	3,466
LONG-TERM LIABILITIES	
NOTE PAYABLE - BANK ONE (NOTE 5)	51,652

TOTAL LIABILITIES	55,118
NET ASSETS	
UNRESTRICTED	35,574

TOTAL LIABILITIES AND NET ASSETS	\$ 90,692
	=====

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

FAMILIES HELPING FAMILIES
OF SOUTHWEST LOUISIANA, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 1996

UNRESTRICTED NET ASSETS

SUPPORT

State Grants and Financial Assistance	\$ 74,329
Community Financial Assistance	3,200
Contributions	14,640
In-Kind Advertising	3,000
Fund-raising	15,091

Total Support	----- 110,260
---------------	------------------

EXPENSES

Program Services	78,726
Supporting Services:	
Management and General	22,354
Fund-raising	6,082

Total Expenses	----- 107,162
----------------	------------------

Increase (Decrease) In Unrestricted Net Assets	3,098
---	-------

NET ASSETS AT BEGINNING OF YEAR	32,476
---------------------------------	--------

NET ASSETS AT END OF YEAR	----- \$ 35,574 =====
---------------------------	-----------------------------

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**FAMILIES HELPING FAMILIES
OF SOUTHWEST LOUISIANA, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 1996**

	PROGRAM SERVICES	SUPPORTING SERVICES	TOTAL SERVICES
Advertising	\$ 4,189	\$ --	\$ 4,189
Client Services	6,774	--	6,774
Conference and Meetings	4,145	--	4,145
Contract Services	3,577	345	3,922
Equipment Rental	--	52	52
Fund-raising	--	6,082	6,082
Insurance	--	612	612
Membership Dues	--	60	60
Miscellaneous	2,458	273	2,731
Office Expense and Supplies	1,594	4,011	5,605
Postage and Shipping	1,792	199	1,991
Printing and Publications	5,890	--	5,890
Rent	4,389	488	4,877
Repairs and Maintenance	--	165	165
Salaries and Wages	30,439	10,145	40,584
Taxes and Licenses	2,355	785	3,140
Telephone	5392	599	5991
Travel and Transportation	449	4,037	4,486
Utilities	2,231	244	2,475
	-----	-----	-----
Total Expenses Before Depreciation	75,674	28,097	103,771
Depreciation of Furniture and Equipment	3,052	339	3,391
	-----	-----	-----
Total Expenses	\$ 78,726	\$ 28,436	\$ 107,162
	=====	=====	=====

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**FAMILIES HELPING FAMILIES
OF SOUTHWEST LOUISIANA, INC.**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 1996**

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase In Net Assets	\$	3,098
Adjustments To Reconcile Change In Net Assets To Net Cash Provided By Operating Activities:		
Depreciation		3,391
(Increase) Decrease In Grants Receivable		(1,672)
Increase (Decrease) In Payroll Taxes Payable		742

NET CASH PROVIDED BY OPERATING ACTIVITIES		5,559

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase Of Equipment		(2,345)
Payments For Building Improvements		(438)
Purchase Of New Office Building		(67,728)

NET CASH USED FOR INVESTING ACTIVITIES		(70,511)

CASH FLOWS FROM FINANCING ACTIVITIES

Borrowings For New Office Building		53,600

NET INCREASE (DECREASE) IN CASH		(11,352)

CASH AT BEGINNING OF PERIOD		16,844

CASH AT END OF PERIOD	\$	5,492
		=====

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

FAMILIES HELPING FAMILIES OF SW LOUISIANA, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 1996

Organization and Background

Families Helping Families of SW Louisiana, Inc. was established in Lake Charles in 1991 as part of a statewide network of family resource centers. This center serves not only Calcasieu parish, but also Allen, Beauregard, Cameron, and Jeff Davis parishes. The agencies throughout the state are not-for-profit organizations designed to offer information and resources including referrals, education and training, and peer to peer support to individuals and family members of individuals with special needs.

The Agency is funded by donations and personal contributions, fund-raisers, and various grants from the State of Louisiana and community organizations.

NOTE 1 - Summary of Significant Accounting Policies

A. Contributed Services

During the year ended September 30, 1996 the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

B. Property and Equipment

Property and equipment are stated at cost, or if donated, at the approximate fair market 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. No restrictions have been placed on assets donated to the Agency. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets.

C. Cash and Cash Equivalents

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

FAMILIES HELPING FAMILIES OF SW LOUISIANA, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 1996

NOTE 1 - Summary of Significant Accounting Policies (continued)

D. Income Taxes

The Agency is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and comparable state law. Therefore, no provision has been made for federal or state income taxes in the accompanying financial statements.

E. Financial Statement Presentation

The Agency has adopted Statement of Financial Accounting Standard (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS 117, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Agency is required to present a statement of cash flows. As permitted by this new statement, the Agency has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required.

F. Basis of Accounting

The accompanying financial statements of Families Helping Families of SW Louisiana, Inc. have been prepared on the accrual basis of accounting.

NOTE 2 - Retirement Benefits

The Agency does not provide retirement benefits. Employees participate in the Social Security system. The Agency is not responsible for any post-employment benefits. The Agency has only the usual obligation to make current matching payments to the Social Security system for active employees.

FAMILIES HELPING FAMILIES OF SW LOUISIANA, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 1996

NOTE 3 - Use of Estimates

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

NOTE 4 - Economic Dependency

During the year ended September 30, 1996, the Agency received much of its support from the State of Louisiana Department of Health and Hospitals Office of Mental Health and Developmental Disabilities Council. If the support to the Agency were reduced significantly, it could have an adverse impact on the Agency's operations.

NOTE 5 - Note Payable

In June, 1996, the Agency agreed to purchase property to be used as the office facilities for the organization. The purchase price was \$67,000. In August, 1996, the Agency borrowed \$53,600 from Bank One at 9.25% interest, repayable in 59 monthly installments of \$556.23 and one final installment payment consisting of the unpaid principal balance and accrued interest due at August, 2001.

Maturity of the note payable is as follows:

Year ending <u>September 30,</u>	
1997	\$ 1,948
1998	1,980
1999	2,171
2000	2,380
2001	45,121

	\$ 53,600
	=====

NOTE 6 - Compensated Absences

The Agency has no policy providing for compensated absences.

FAMILIES HELPING FAMILIES OF SW LOUISIANA, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 1996

NOTE 7 - Allocation Of Program Vs Support Expenses

An allocation of many of the operating expenses of the Agency has been made on the basis of Board policy and management's estimate of 10% support and 90% program. Costs relating directly to the mission of the Agency are allocated as 100% program and expenditures for support matters and direct fund-raising costs are considered 100% support. Although the Agency's director and staff have certain administrative responsibilities, they are, nevertheless, significantly involved with the program activity owing to the small size of the organization and the nature of the mission of Families Helping Families of SW Louisiana, Inc. Consequently, an allocation of salaries, wages, and related payroll taxes has been made on the basis of 75% program and 25% support.

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**INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE
WITH GOVERNMENTAL AUDITING STANDARDS**

Board of Directors
Families Helping Families of SW Louisiana, Inc.
Lake Charles, Louisiana

We have audited the financial statements of Families Helping Families of SW Louisiana, Inc. as of and for the year ended September 30, 1996, and have issued our report thereon dated July 28, 1998.

We have conducted our audit in accordance with generally accepted auditing standards and 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.

The management of Families Helping Families of SW Louisiana, Inc. is responsible for establishing and maintaining the internal control structure. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of Families Helping Families of SW Louisiana, Inc. for the year ended September 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not disclose all reportable conditions that are also considered to be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted the following matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

The Agency, like many small organizations, does not have sufficient staff to properly segregate duties consistent with sound control objectives. This is an inherent weakness which, while not reasonably subject to elimination in the Agency's present configuration, could be significantly mitigated by certain measures. We have suggested and management agreed to consider, for example, more carefully prescribing and segregating key individual duties regarding opening mail, preparing bank deposits, writing checks, and reconciling monthly bank statements. Here we also suggested that a Board member, perhaps the treasurer, would occasionally review the bank reconciliations and initial to show his or her attention and general understanding of the activity, outstanding items, etc.

In addition, the Agency had an inadequate overall accounting system. The employee responsible for the accounting lacked the qualifications and training to fulfill the assigned functions. This resulted in a system that failed to provide complete and accurate output that went undetected because of an absence of appropriate reviews and approvals of transactions, accounting entries, and systems output.

This report is intended for the information of the management, to the Board of Directors and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

July 28, 1998

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**INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL
STRUCTURE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Families Helping Families of SW Louisiana, Inc.
Lake Charles, Louisiana

We have audited the financial statements of Families Helping Families of SW Louisiana, Inc. as of and for the year ended September 30, 1996, and have issued our report thereon dated July 28, 1998.

We have conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit for the year ended September 30, 1996, we considered the internal control structure of Families Helping Families of SW Louisiana, Inc. in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements of Families Helping Families of SW Louisiana, Inc., and to report on the internal control structure in accordance with OMB A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs.

The management of Families Helping Families of SW Louisiana, Inc. is responsible for establishing and maintaining internal control structure.

In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that

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transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

General Requirements

Civil Rights
Cash Management
Federal Financial Reports
Allowable Costs/Cost Principles
Drug-Free Workplace Act
Administrative Requirements

Specific Requirements

Types of Services Allowed or Not Allowed
Eligibility
Matching, Level of Effort, or Earmarking
Reporting
Cost Allocation

For all of the internal control categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended September 30, 1996, Families Helping Families of SW Louisiana, Inc. had no major federal award programs and expended 100% of its total federal financial assistance under nonmajor federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant

to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of Families Helping Families of SW Louisiana, Inc.'s nonmajor federal financial assistance programs, which is identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might constitute a material weakness under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program 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 structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of the management, the Board of Directors and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

July 28, 1998

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**Independent Auditors' Report on Compliance With Laws and
Regulations Based On An Audit of Financial Statements Performed
In Accordance With Governmental Auditing Standards**

Board of Directors
Families Helping Families of SW Louisiana, Inc.
Lake Charles Parish, Louisiana

We have audited the financial statements of Families Helping Families of SW Louisiana, Inc. as of and for the year ended September 30, 1996, and have issued our report thereon dated July 28, 1998.

We conducted our audit in accordance with generally accepted auditing standards and 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.

Compliance with laws, regulations, contracts, and grants applicable to Families Helping Families of SW Louisiana, Inc., is the responsibility of the Families Helping Families of SW Louisiana, Inc.'s management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we performed tests of the laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed an instance of noncompliance that is required to be reported herein under Government Auditing Standards. The audit report was submitted after the statutory filing requirement of December 31, 1997.

This report is intended for the information of the management, the Board of Directors, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

July 28, 1998

-16-

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**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH GENERAL REQUIREMENTS
APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

To the Board of Directors
Families Helping Families of SW Louisiana, Inc.
Lake Charles, Louisiana

We have audited the financial statements of Families Helping Families of SW Louisiana, Inc. as of and for the year ended September 30, 1996 and have issued our report thereon dated July 28, 1998.

We have applied procedures to test Families Helping Families of SW Louisiana, Inc.'s compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the year ended September 30, 1996:

- General Requirements
- Civil Rights
- Cash Management
- Federal Financial Reports
- Allowable Costs/Cost Principles
- Drug-Free Workplace Act
- Administrative Requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of Institutions Of Higher Education and Other Nonprofit Organizations." Our procedures were substantially less in scope than an audit, the objective of which is compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the result of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Families Helping Families of SW Louisiana, Inc. had not complied, in all material respects, with those requirements.

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This report is intended for the information of the management, the Board of Directors, and the Legislative Auditor of the State of Louisiana. However, this report is matter of public record and its distribution is not limited.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC
REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL FINANCIAL
ASSISTANCE PROGRAMS**

To the Board of Directors
Families Helping Families of SW Louisiana, Inc.
Lake Charles, Louisiana

We have audited the financial statements of Families Helping Families of SW Louisiana, Inc. as of and for the year ended September 30, 1996, and have issued our report thereon dated July 28, 1998.

In connection with our audit of the financial statements of Families Helping Families of SW Louisiana, Inc., and with our consideration of Families Helping Families of SW Louisiana, Inc.'s control structure used to administer federal financial assistance programs, as required by the Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions Of Higher Education and Other Nonprofit Institutions," we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended September 30, 1996.

As required by the OMB A-133, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; and eligibility that is applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Families Helping Families of SW Louisiana, Inc.'s compliance with those requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Families Helping Families of SW Louisiana, Inc. had not complied, in all material respects, to those requirements. Also, the results of our procedures did not disclose any immaterial instances of noncompliance with those requirements.

This report is intended for the information of the management, the Board of Directors, and the Legislative Auditor of the State of Louisiana. However, this report is matter of public record and its distribution is not limited.

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**INDEPENDENT AUDITORS' REPORT ON SCHEDULE
OF FEDERAL FINANCIAL ASSISTANCE**

Board of Directors
Families Helping Families of SW Louisiana, Inc.
Lake Charles, Louisiana

We have audited the financial statements of Families Helping Families of SW Louisiana, Inc. as of and for the year ended September 30, 1996 and have issued our report thereon dated July 28, 1998. These financial statements are the responsibility of the Families Helping Families of SW Louisiana, Inc. 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, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, *Audits of Institutions Of Higher Education and Other Nonprofit Institutions*. Those standards and OMB Circular A-133 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Families Helping Families of SW Louisiana, Inc., taken as a whole. The accompanying schedule of Federal Financial Assistance is presented for the purposes of additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

July 28, 1998

-21-

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FAMILIES HELPING FAMILIES
OF SOUTHWEST LOUISIANA, INC.

SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 1996

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	AGENCY OR PASS-THROUGH NUMBER	PROGRAM OR AWARD AMOUNT	CURRENT YEAR REVENUE RECOGNIZED	CURRENT YEAR EXPENDITURES RECOGNIZED

U.S. Department of Health and Human Services:					
Pass-through from State Department of Health and Hospitals					
Developmental Disabilities Council Social Services Grant	--	58444	\$33,833	\$41,344	\$41,344
Office of Mental Health Family Support Grants	93.958	55075	18,510	20,218	20,218
Subtotal - U.S. Department of Health and Human Services			52,343	61,562	61,562

U.S. Department of Education:					
Pass-through from State Department of Education					
Special Education Grant	84.027	95CD-FS	7,998	7,998	7,998
			\$60,341	\$69,560	\$69,560
=====					

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

FAMILIES HELPING FAMILIES
OF SOUTHWEST LOUISIANA, INC.

SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 1996

FINDING NO. 1

The audit report for the year ended September 30, 1996 was submitted after the six-month statutory issue date, thereby placing the Agency in noncompliance with state law. Families Helping Families of SW Louisiana, Inc. is a small nonprofit agency and was unaware of the six-month compliance deadline for audit reports. In addition, the Agency had to update the accounting records to prepare for an audit, and reserve funds for the cost of the engagement.

FAMILIES HELPING FAMILIES
OF SOUTHWEST LOUISIANA, INC.

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 1995

There were no prior year findings applicable to the federal financial assistance programs.

FAMILIES HELPING FAMILIES
OF SOUTHWEST LOUISIANA, INC.

MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 1996

FINDING NO. 1

The audit report for the year ended September 30, 1996 was submitted after the six-month statutory issue date, thereby placing the Agency in noncompliance with state law.

RESPONSE

The Agency is now aware of the six-month compliance deadline. All future audit reports, following the report for the nine months ended June 30, 1997, will be submitted before the six-month statutory issue date.

INTERNAL CONTROL FINDING NO. 1

The Agency does not have sufficient staff to properly segregate duties consistent with sound control objectives.

RESPONSE

We concur with the auditors' findings and have hired additional personnel since this audit period. Due to the small size of our organization, this is a difficult matter to resolve, however we have divided many of the accounting tasks and responsibilities among the staff of the Agency.

INTERNAL CONTROL FINDING NO. 2

The Agency had an inadequate overall accounting system, with unqualified employees responsible for the accounting functions.

RESPONSE

Again, we agree with the auditors' findings and have hired a more experienced employee to handle the accounting functions of the Agency. In addition, we have also purchased and placed into operation a new accounting software package that will provide complete and accurate output.