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FAMILIES HELPING FAMILIES
OF NORTHWEST LOUISIANA
SHREVEPORT, LOUISIANA
JUNE 30, 1998

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 MAY 25 1999

FAMILIES HELPING FAMILIES OF NORTHWEST LOUISIANA

SHREVEPORT, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

April 27, 1999

The Board of Directors
Families Helping Families of Northwest Louisiana
Shreveport, Louisiana

Independent Auditor's Report

We have audited the statement of financial position of Families Helping Families of Northwest Louisiana at June 30, 1998, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Families Helping Families of Northwest Louisiana'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 *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 Families Helping Families of Northwest Louisiana at June 30, 1998, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 27, 1999 on our consideration of the organization's internal control structure and on its compliance with laws and regulations.

Heard, McElroy & Vestal, LLC

FAMILIES HELPING FAMILIES OF NORTHWEST LOUISIANA

STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 1998

A S S E T S

Cash	12,418
Grants receivable-Note 3	19,142
Furniture and equipment	13,177
<u>Less-accumulated depreciation</u>	<u>(1,845)</u>
Total assets	<u>42,892</u>

LIABILITIES AND NET ASSETS

Accounts payable	8,000
Payroll liabilities	<u>678</u>
Total liabilities	8,678
Net assets-unrestricted and undesignated	<u>34,214</u>
Total liabilities and net assets	<u>42,892</u>

The accompanying notes are an integral part of the financial statements.

FAMILIES HELPING FAMILIES OF NORTHWEST LOUISIANA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 1998

	<u>Family Resource and Referrals</u>	<u>Parent Support</u>	<u>Total</u>
<u>Public support:</u>			
Louisiana Planning Council on Developmental Disabilities	39,500	-	39,500
Louisiana Office for Citizens with Developmental Disabilities	25,000	-	25,000
Louisiana Children's Special Health Services	-	20,926	20,926
Louisiana Office of Mental Health	6,750	-	6,750
Other	100	-	100
Total public support	<u>71,350</u>	<u>20,926</u>	<u>92,276</u>
<u>Expenses:</u>			
Salaries and benefits	42,745	7,851	50,596
Contract and professional services	3,926	-	3,926
Travel and conferences	2,451	1,255	3,706
Rent-Note 4	3,657	-	3,657
Supplies	4,138	1,203	5,341
Telephone and postage	1,476	481	1,957
Insurance	100	-	100
Depreciation	1,188	-	1,188
Total expenses	<u>59,681</u>	<u>10,790</u>	<u>70,471</u>
<u>Change in net assets</u>	11,669	10,136	21,805
<u>Net assets, beginning of year</u>	<u>10,343</u>	<u>2,066</u>	<u>12,409</u>
<u>Net assets, end of year</u>	<u>22,012</u>	<u>12,202</u>	<u>34,214</u>

The accompanying notes are an integral part of the financial statements.

FAMILIES HELPING FAMILIES OF NORTHWEST LOUISIANA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 1998

<u>Cash flows from operating activities:</u>	
Change in net assets	21,805
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,188
Decrease in grants receivable	1,694
Decrease in prepaid expenses	2,904
(Decrease) in accounts payable	(6,750)
Increase in payroll liabilities	<u>678</u>
Total adjustments	<u>(286)</u>
Net cash provided by operating activities	21,519
<u>Cash flows from investing activities:</u>	
Purchase of furniture and equipment	<u>(7,500)</u>
Net cash (used) by investing activities	(7,500)
<u>Cash flows from financing activities:</u>	
(Decrease) in bank overdraft	<u>(1,609)</u>
Net cash (used) by financing activities	<u>(1,609)</u>
<u>Net increase in cash and cash equivalents</u>	12,410
<u>Cash and cash equivalents beginning of year</u>	<u>8</u>
<u>Cash and cash equivalents end of year</u>	<u><u>12,418</u></u>

The accompanying notes are an integral part of the financial statements.

FAMILIES HELPING FAMILIES OF NORTHWEST LOUISIANA

NOTES TO FINANCIAL STATEMENTS

AT JUNE 30, 1998

1. Nature of Operations

Families Helping Families of Northwest Louisiana is a nonprofit service organization exempt from federal income taxation under Internal Revenue Code Section 501(c)(3). The purpose of the organization is to assist and strengthen families with disabilities in northwest Louisiana by providing a coordinated network of resources, support, and services, while respecting the ethnic, cultural, and racial diversity of those families. Revenues are derived primarily from state government grants, under third-party reimbursement plans, for the following purposes:

- Family Resource and Referrals - operate a comprehensive family resource center that provides information, referrals, workshops, and peer support for families of individuals with developmental disabilities or special needs. Stipends to individuals with disabilities or their parents may also be provided, to enable them to attend certain workshops and conferences.
- Parent Support - provide assistance to parents of children with special health needs through training and information sharing.

2. Summary of Significant Accounting Policies

a) Financial Statement Presentation:

Families Helping Families is required to report information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are subject to classification and reporting as follows:

Unrestricted net assets-Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes.

Temporarily restricted net assets-Net assets subject to donor-imposed stipulations that may or will be met by actions of the organization, and/or by the passage of time.

Permanently restricted net assets-Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

There were no significant temporarily or permanently restricted net assets at June 30, 1998, or for the year then ended.

b) Contributions:

Any contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions. Contributions are recognized when the donor makes a promise to give to Families Helping Families that is, in substance, unconditional. Contributions that are restricted by the donor are

2. Summary of Significant Accounting Policies (Continued)

reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

c) 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.

d) Cash Equivalents:

For purposes of the statement of cash flows, Families Helping Families considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

e) Furniture and Equipment:

Furniture and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives of five years.

f) Advertising Costs:

Costs of advertising are expensed as incurred.

g) Functional Allocation of Expenses:

The costs of providing the various programs have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs benefitted.

3. Grants Receivable

Various funding sources provide reimbursement of allowable costs and payments on units of service in connection with the provision of services by Families Helping Families under various grant agreements. The continued existence of funding is based on annual contract renewals with funding sources.

Grants receivable are summarized by source, as follows:

Louisiana Planning Council on Developmental Disabilities	6,646
Louisiana Office for Citizens with Developmental Disabilities	1,813
Louisiana Children's Special Health Services	<u>10,683</u>
Total	<u>19,142</u>

4. Rent Expense

Families Helping Families rents office and storage space under operating lease arrangements. The lease for office space runs for a term of one year at \$3,000 per year payable every four months. Storage space is leased on a month-to-month basis. There are no lease commitments in excess of one year at June 30, 1998.

5. Conditional Promises

Conditional promises consist of the unfunded portions of approved governmental grants, either currently in effect or approved for commencement after June 30, 1998. Future funding of such awards is conditioned upon the organization's operation of certain programs, incurrence of certain costs, and possibly meeting certain matching requirements. Because such awards represent conditional promises to Families Helping Families, they have not been recognized in the financial statements. There were no conditional promises outstanding at June 30, 1998.

OTHER REPORTS

April 27, 1999

The Board of Directors
Families Helping Families of Northwest Louisiana
Shreveport, Louisiana

Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

We have audited the financial statements of Families Helping Families of Northwest Louisiana as of and for the year ended June 30, 1998, and have issued our report thereon dated April 27, 1999. 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 Families Helping Families' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 98-1 through 98-3.

Internal Control Over Financing Reporting

In planning and performing our audit, we considered the Families Helping Families' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Families Helping Families' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 98-4.

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

This report is intended solely for the information of management, awarding agencies and pass-through entities, and the Louisiana Legislative Auditor's office, and is not intended and should not be used by anyone other than these specified parties.

Neard, McElroy & Vestal, LLP

FAMILIES HELPING FAMILIES OF NORTHWEST LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 1998

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Families Helping Families of Northwest Louisiana
2. No material weaknesses were identified during the audit of the financial statements.
3. One instance of noncompliance material to the financial statements of Families Helping Families of Northwest Louisiana was disclosed during the audit.
4. A single audit of Federal awards under OMB Circular A-133 was not required.

B. FINDINGS AND QUESTIONED COSTS-FINANCIAL STATEMENT AUDIT

Questioned
Costs

Finding 98-1

The grant agreement with Louisiana Office for Citizens with Developmental Disabilities for the period 7-1-97 through 6-30-98 requires publication by Families Helping Families of a newsletter, on at least a quarterly basis, to 500 or more families. In exchange for meeting this requirement, OCDD would pay FHF \$820 per month. FHF published only one newsletter during the year under audit, in February 1998, and distributed it to approximately 2,000 individuals. Question \$820 paid for nine months.

7,380

Finding 98-2

Costs billed to Louisiana Children's Special Health Services for the period 7-1-97 through 6-30-98 under its grant agreement were not consistently charged to that program in the general ledger of FHF. Cost principles require consistent treatment of costs for grant purposes and record-keeping purposes. Certain audit adjustments were made as a result of this inconsistency.

Finding 98-3

Under Louisiana Revised Statute 24:513(A)(5)(a), audits of quasi-public entities must be issued within six months of the close of the entity's fiscal year. Because of turnover during the year of management personnel, including changes in the

B. FINDINGS AND QUESTIONED COSTS-FINANCIAL STATEMENT AUDIT (Continued)

Questioned
Costs

Executive Director and Treasurer/bookkeeper, the organization was unable to make its records available for audit until late December 1998. As a result, it was unable to comply with the December 31, 1998 due date required by state law.

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Finding 98-4

Results of our audit procedures indicate that, on occasion, checks are being used and issued out of numeric sequence. Such a condition existed at June 30, 1998, where five checks were pulled out of sequence in June, and not used until July 1998. The use of checks out of numerical order defeats the purpose of sequencing them, which is to provide an audit trail indicating the proper cut-off and completeness of transactions during the period. Therefore, it is highly recommended that disbursement checks be used and issued in sequence.

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FAMILIES HELPING FAMILIES OF NORTHWEST LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 1998

Finding 97-1

Slightly more revenue was recorded on the books for the grant from Louisiana Planning Council on Disabilities than was actually billed. This timing difference had no effect on the grant award, and was resolved on the books when the grant expired.

Finding 97-2

The audit engagement of Families Helping Families was not arranged for until after the deadline for filing the audit report had passed. Timely filing of its annual audit report in compliance with state law continues to be a problem for the organization. See current Finding 98-3 and management's response.

Finding 97-3

Numerous cash receipts and checks were written after the end of a given fiscal year, but included as cash transactions in that fiscal year. This practice was discontinued in the current year under audit.

Finding 97-4

Board minutes did not include all formalities in their recordation, such as appropriate signatures and notation of approval by the Board. These formalities are now being observed.

FAMILIES HELPING FAMILIES OF NORTHWEST LOUISIANA

MANAGEMENT'S CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 1998

Finding 98-1

Lack of a quarterly newsletter during the current fiscal year is acknowledged, and was the result of lack of adequate funds as the organization attempted to meet all its program demands. A quarterly newsletter was implemented in the fiscal year ending June 30, 1999.

Finding 98-2

Management acknowledges the inconsistent classification of certain costs for billing and general ledger purposes. We intend to implement, with our auditor's help, a more detailed chart of accounts for the general ledger that will be reconciled periodically to the applicable "cumulative cost" segment of the various grant billings.

Finding 98-3

Management acknowledges its lack of timeliness in submitting its financial statements for audit. In future years, management will have its books complete and ready for audit by September 30, so that the engagement may be completed and reports filed by the times prescribed by law.

Finding 98-4

Occasional use of checks out of sequence is acknowledged. This practice has been halted.