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**FAMILIES HELPING FAMILIES OF
SOUTHWEST LOUISIANA, INC.**
**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**
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 ~~AUG 26 1998~~

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INDEPENDENT AUDITORS' REPORT

**Board of Directors
Families Helping Families of
Southwest Louisiana, Inc.**

We have audited the accompanying statement of financial position of Families Helping Families of Southwest Louisiana, Inc. (a nonprofit organization) as of June 30, 1997 and the related statements of activities, functional expenses and cash flows for the short period from October 1, 1996 and ended June 30, 1997. These financial statements are the responsibility of the Agency'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 Southwest Louisiana, Inc. as of June 30, 1997, and the changes in net assets and its cash flows for the short period from October 1, 1996 and ended June 30, 1997 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
JUNE 30, 1997

ASSETS

CURRENT ASSETS:	
CASH	\$ 1,996
GRANTS RECEIVABLE	7,657

TOTAL CURRENT ASSETS	9,653
FIXED ASSETS:	
EQUIPMENT AND FURNITURE	12,669
LIBRARY	6,676
BUILDING	67,728
BUILDING IMPROVEMENTS	438
LESS: ACCUMULATED DEPRECIATION	(11,503)

NET FIXED ASSETS	76,008

TOTAL ASSETS	\$ 85,661
	=====

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
PAYROLL TAXES PAYABLE	\$ 194
NOTE PAYABLE - BANK ONE	2,088

TOTAL CURRENT LIABILITIES	2,282
LONG-TERM LIABILITIES	
NOTE PAYABLE - BANK ONE	50,184

TOTAL LIABILITIES	52,466
NET ASSETS	
UNRESTRICTED	33,195

TOTAL LIABILITIES AND NET ASSETS	\$ 85,661
	=====

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

FAMILIES HELPING FAMILIES
OF SOUTHWEST LOUISIANA, INC.

STATEMENT OF ACTIVITIES
FOR THE SHORT PERIOD FROM OCTOBER 1, 1996
AND ENDED JUNE 30, 1997

UNRESTRICTED NET ASSETS

SUPPORT

State Grants and Financial Assistance	\$ 55,784
Community Financial Assistance	10,992
Contributions	2,446
Fund-raising	1,117

Total Support	70,339

EXPENSES

Program Services	54,151
Supporting Services: Management and General	18,567

Total Expenses	72,718

Increase (Decrease) In Unrestricted Net Assets	(2,379)

NET ASSETS AT BEGINNING OF YEAR	35,574

NET ASSETS AT END OF YEAR	\$ 33,195
	=====

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

FAMILIES HELPING FAMILIES
OF SOUTHWEST LOUISIANA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE SHORT PERIOD FROM OCTOBER 1, 1996
AND ENDED JUNE 30, 1997

	PROGRAM SERVICES	SUPPORTING SERVICES	TOTAL SERVICES
	-----	-----	-----
Advertising	\$ 545	\$ --	\$ 545
Contract Services	5,076	425	5,501
Equipment Rental	--	611	611
Insurance	--	400	400
Interest	390	3,513	3,903
Membership Dues	--	30	30
Miscellaneous	2,217	246	2,463
Office Expense and Supplies	764	2,926	3,690
Postage and Shipping	901	100	1,001
Printing and Publications	4,313	--	4,313
Professional Fees	1,358	--	1,358
Repairs and Maintenance	--	361	361
Salaries and Wages	23,375	7,792	31,167
Taxes and Licenses	2,127	709	2,836
Telephone	5,264	585	5,849
Travel and Transportation	3,165	352	3,517
Utilities	801	89	890
	-----	-----	-----
Total Expenses Before Depreciation	50,296	18,139	68,435
Depreciation of Furniture and Equipment	3,855	428	4,283
	-----	-----	-----
Total Expenses	\$ 54,151	\$ 18,567	\$ 72,718
	=====	=====	=====

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

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

**STATEMENT OF CASH FLOWS
FOR THE SHORT PERIOD FROM OCTOBER 1, 1996
AND ENDED JUNE 30, 1997**

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease In Net Assets	\$ (2,379)
Adjustments To Reconcile Change In Net Assets To Net Cash Provided By Operating Activities:	
Depreciation	4,283
(Increase) Decrease In Grants Receivable	(2,574)
Increase (Decrease) In Payroll Taxes Payable	(1,324)

NET CASH USED FOR OPERATING ACTIVITIES	(1,994)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase Of Equipment	(174)

NET CASH USED FOR INVESTING ACTIVITIES	(174)

CASH FLOWS FROM FINANCING ACTIVITIES

Payments On Loan For Office Building	(1,328)

NET INCREASE (DECREASE) IN CASH	(3,496)

CASH AT BEGINNING OF PERIOD	5,492

CASH AT END OF PERIOD	\$ 1,996
	=====

Total interest expense paid for the short period from October 1, 1996 and ended June 30, 1997 was \$3,903.

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

FAMILIES HELPING FAMILIES OF SW LOUISIANA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1997

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 short period from October 1, 1996 and ended June 30, 1997, 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
JUNE 30, 1997

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
 JUNE 30, 1997

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 short period from October 1, 1996 and ended June 30, 1997, the Agency received much of its support from the State of Louisiana Department of Health and Hospitals Office For Citizens with Developmental Disabilities and the 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 in August, 2001.

Maturity of the note payable is as follows:

Year ending <u>June 30,</u>	
1998	2,088
1999	2,121
2000	2,326
2001	45,737

	\$ 52,272
	=====

NOTE 6 - Accrued Compensated Absences

The Agency has no policy providing for compensated absences.

FAMILIES HELPING FAMILIES OF SW LOUISIANA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1997

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 BASIC FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS**

**Board of Directors
Families Helping Families
of Southwest Louisiana, Inc.**

We have audited the financial statements of Families Helping Families of Southwest Louisiana, Inc. (a nonprofit organization) as of June 30, 1997 and for the short period from October 1, 1996 and ended June 30, 1997 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 component unit financial statements are free of material misstatement.

The management of Families Helping Families of Southwest Louisiana, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this 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. Because of inherent limitations in any internal control structure, errors or irregularities 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 Southwest Louisiana, Inc. as of June 30, 1997 and for the short period from October 1, 1996 and ended June 30, 1997, we obtained

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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.

We noted certain matters involving the internal control structures and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

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 level the risk that errors or irregularities 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 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 as described above. However, we noted the following matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

Material Weaknesses

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 reconciliation and initial to show his 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, 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 Based On
An Audit of Financial Statements Performed In
Accordance With Governmental Auditing Standards**

**Board of Directors
Families Helping Families
of Southwest Louisiana, Inc.**

We have audited the accompanying financial statements of Families Helping Families of Southwest Louisiana, Inc. (a nonprofit organization) as of June 30, 1997 and for the short period from October 1, 1996 and ended June 30, 1997 and have issued our report thereon dated July 28, 1998.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the auditing 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 Southwest Louisiana, Inc., is the responsibility of the Families Helping Families of Southwest 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 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, 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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FAMILIES HELPING FAMILIES
OF SOUTHWEST LOUISIANA, INC.

SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE SHORT PERIOD FROM OCTOBER 1, 1996
ENDED JUNE 30, 1997

FINDING NO. 1

The audit report for the short period from October 1, 1996 and ended June 30, 1997 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, 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.

STATUS

As the audit for the prior year was done concurrently with the audit for the short period from October 1, 1996 and ended June 30, 1997, the same conditions existed causing that report to also be delinquent. The Agency is now aware of the filing requirements and intends to issue future reports timely.

FAMILIES HELPING FAMILIES
OF SOUTHWEST LOUISIANA, INC.

MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE SHORT PERIOD FROM OCTOBER 1, 1996
ENDED JUNE 30, 1997

FINDING NO. 1

The audit report for the short period from October 1, 1996 and ended June 30, 1997 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 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.