

7142

FAMILY AND YOUTH COUNSELING AGENCY, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

Year Ended December 31, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 5-12-04

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Family and Youth Counseling Agency, Inc.
Lake Charles, Louisiana

We have audited the accompanying statement of financial position of Family and Youth Counseling Agency, Inc. (a non-profit organization) as of December 31, 2003 and the related statements of activities, cash flows and functional expenses for the year then ended. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 in the first paragraph present fairly, in all material respects, the financial position of Family and Youth Counseling Agency, Inc. as of December 31, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2004 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on page 25 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

McMullen and Mancuso, CPAs

McMullen and Mancuso, CPAs

March 19, 2004

Members

American Institute of Certified Public Accountants
Louisiana Society of Certified Public Accountants

Family and Youth Counseling Agency, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2003

ASSETS

	2003	2002
CURRENT ASSETS		
Cash and cash equivalents	\$ 120,500	\$ 159,400
Investments	260,370	231,834
Unconditional promises to give	413,971	413,971
Accounts receivable, less allowance for doubtful accounts of \$2,769 in 2003 and \$716 in 2002	16,113	16,234
Contracts receivable	66,650	71,448
Receivable-employee insurance	2,219	-
Prepaid expenses	20,485	7,283
Total current assets	<u>900,308</u>	<u>900,170</u>
 PROPERTY AND EQUIPMENT		
Building	706,148	706,148
Furniture and equipment	229,705	255,899
	<u>935,853</u>	<u>962,047</u>
Less accumulated depreciation	<u>(295,940)</u>	<u>(300,857)</u>
	639,913	661,190
Land	82,800	82,800
Net property and equipment	<u>722,713</u>	<u>743,990</u>
Total Assets	<u>\$ 1,623,021</u>	<u>\$ 1,644,160</u>

The accompanying notes are an integral part of these statements.

Family and Youth Counseling Agency, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2003

LIABILITIES AND NET ASSETS

	2,003	2002
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 25,000	\$ 25,000
Accounts payable-trade	11,180	8,460
Accrued expenses	12,695	26,530
Unearned income	23,174	-
Total current liabilities	<u>72,049</u>	<u>59,990</u>
LONG TERM LIABILITIES, less current portion		
Note payable	<u>275,000</u>	<u>300,000</u>
Total liabilities	<u>347,049</u>	<u>359,990</u>
NET ASSETS		
Unrestricted		
Undesignated	626,648	609,846
Designated	<u>235,353</u>	<u>260,353</u>
Total Unrestricted Net Assets	<u>862,001</u>	<u>870,199</u>
Temporarily restricted	<u>413,971</u>	<u>413,971</u>
Total Net Assets	<u>1,275,972</u>	<u>1,284,170</u>
Total Liabilities and Net Assets	<u>\$ 1,623,021</u>	<u>\$ 1,644,160</u>

The accompanying notes are an integral part of these statements.

Family and Youth Counseling Agency, Inc.

STATEMENT OF ACTIVITIES

Year ended December 31, 2003
with comparative totals for 2002

	2003			2002
	TEMPORARILY			TOTAL
	UNRESTRICTED	RESTRICTED	TOTAL	TOTAL
REVENUE, GAINS AND OTHER SUPPORT				
United Way of Southwest Louisiana (See Note A-11)	\$ -	\$ 413,971	\$ 413,971	\$ 430,638
Grants and service fees	790,951	-	790,951	697,058
Program income	205,064	-	205,064	215,546
Contributions	51,890	-	51,890	55,275
Investment earnings	5,870	-	5,870	5,062
Unrealized gain on Investments	27,981	-	27,981	(20,570)
Unrealized loss on disposal of assets	(309)	-	(309)	-
Other	8,309	-	8,309	6,819
Fund-raising/special events	34,735	-	34,735	44,341
Total revenues and gains	<u>1,124,491</u>	<u>413,971</u>	<u>1,538,462</u>	<u>1,434,169</u>
Net assets released from restrictions:	413,971	(413,971)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>1,538,462</u>	<u>-</u>	<u>1,538,462</u>	<u>1,434,169</u>
EXPENSES AND LOSSES				
Program service-counseling	1,279,285	-	1,279,285	1,072,245
Management and general	197,989	-	197,989	194,460
Fund-raising/special events	69,386	-	69,386	64,608
TOTAL EXPENSES AND LOSSES	<u>1,546,660</u>	<u>-</u>	<u>1,546,660</u>	<u>1,331,313</u>
CHANGE IN NET ASSETS	(8,198)	-	(8,198)	102,856
NET ASSETS AT BEGINNING OF YEAR	<u>870,199</u>	<u>413,971</u>	<u>1,284,170</u>	<u>1,181,314</u>
NET ASSETS AT END OF YEAR	<u>\$ 862,001</u>	<u>\$ 413,971</u>	<u>\$ 1,275,972</u>	<u>\$ 1,284,170</u>

The accompanying notes are an integral part of these statements.

Family and Youth Counseling Agency, Inc.

STATEMENT OF CASH FLOWS

**Year ended December 31, 2003,
with comparative totals for 2002**

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (8,198)	\$ 102,856
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	37,863	38,799
Bad debts	9,255	6,254
Loss on disposal of assets	309	-
Unrealized (appreciation) depreciation of investments	(27,981)	(20,570)
(Increase) decrease in operating assets		
Accounts and contracts receivable	(4,336)	8,563
Receivable-employee insurance	(2,219)	-
Unconditional promises to give	-	(36,667)
Prepaid expenses	(13,202)	12,545
Increase (decrease) in operating liabilities		
Accounts payable-trade	2,720	6,575
Accrued expenses	(13,835)	17,065
Unearned income	23,174	-
NET CASH FROM OPERATING ACTIVITIES	<u>3,550</u>	<u>135,420</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Sales (purchases) of investments	-	(60,747)
Capital Gains/Dividends reinvested	(555)	-
Loan to Family Foundation of Southwest Louisiana	-	10,100
Payments for property and equipment	(16,895)	(38,910)
NET CASH FROM INVESTING ACTIVITIES	<u>(17,450)</u>	<u>(89,557)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	<u>(25,000)</u>	<u>(25,000)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 <u>(38,900)</u>	 <u>20,863</u>
 BEGINNING CASH AND CASH EQUIVALENTS	 <u>159,400</u>	 <u>138,537</u>
 ENDING CASH AND CASH EQUIVALENTS	 <u>\$ 120,500</u>	 <u>\$ 159,400</u>

The accompanying notes are an integral part of these statements.

Family and Youth Counseling Agency

STATEMENT OF FUNCTIONAL EXPENSES

**Year ended December 31, 2003
with comparative totals for 2002**

	Supporting Services			Total Program and Supporting Service Expense	
	Program Services	Management and General	Fund Raising	2003	2002
	2003			2003	2002
Salaries	\$ 736,541	\$ 124,751	\$ 45,331	\$ 906,623	\$ 801,146
Employee benefits	102,603	17,378	6,315	126,296	99,831
Payroll taxes	62,375	10,764	3,640	76,779	62,756
Professional fees	12,105	5,188	-	17,293	17,848
Supplies	48,230	5,359	-	53,589	48,658
Telephone	16,848	1,872	-	18,720	17,749
Postage and shipping	6,813	359	-	7,172	5,796
Occupancy	117,543	13,060	-	130,603	106,286
Rental and maintenance of equipment	6,840	760	-	7,600	7,172
Printing and publications	30,918	1,627	-	32,545	20,912
Travel	18,851	2,094	-	20,945	13,949
Youth activities	13,838	-	-	13,838	964
Conference and meetings	24,430	-	-	24,430	18,229
Membership dues	6,163	6,163	-	12,326	7,581
Specific assistance	3,492	-	-	3,492	-
Insurance	21,642	2,405	-	24,047	26,282
Bad debts	9,255	-	-	9,255	6,254
Affiliation dues	2,267	-	-	2,267	825
Fund raising	-	-	14,100	14,100	19,776
Public relations	-	938	-	938	3,011
Miscellaneous	4,454	1,485	-	5,939	7,490
Total before depreciation	1,245,208	194,202	69,386	1,508,797	1,292,515
Depreciation	34,077	3,786	-	37,863	38,799
TOTAL EXPENSES	\$ 1,279,285	\$ 197,989	\$ 69,386	\$ 1,546,660	\$ 1,331,314

The accompanying notes are an integral part of these statements.

Family and Youth Counseling Agency, Inc.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Family and Youth Counseling Agency, Inc. (the Agency) is presented to assist in understanding the Agency's financial statements. The financial statements and notes are representations of the Agency's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

1. Nature of Activities

The Family and Youth Counseling Agency, Inc. is a Louisiana not-for-profit corporation that operates under a Board of Directors which appoints an Executive Director and otherwise controls and guides the Agency. The Agency serves as an "umbrella" organization for several family assistance and counseling programs, as follows:

FAMILY SUPPORT

- Professional Counseling – A professional team of master's level counselors accepts individuals of all ages, couples, and families for a wide variety of counseling services and state-of-the-art therapies. Sliding-scale fees, special contract arrangements, or managed care services help clients attain improved mental health and individual/family stability through brief consultative service, short-term therapy, or longer-term counseling programs.
- Domestic Violence Intervention – Documented, suspected, or escalating violence in domestic settings is the target of the special 26-week intervention program for selected individuals. Trained counselors address the abusive behavior of participants who have a history of selecting coercive, inappropriate communication strategies when interacting with their dependents. Two-hour group meetings on a weekly basis bring together several individuals who have similar goals, making this treatment opportunity an excellent educational/life changing therapy option.
- Mediation – Mediation is an alternative, dispute-resolution process through which separated and divorcing parents clarify and negotiate their most painful and difficult parenting disputes. As advocates for healthy, shared parenting, trained mediators accept court-ordered, private, and self-referred parents for this alternative to the competitive-adversarial method of ending custody disputes. The mediation process culminates in a written document, which the legal system recognizes as the official child custody arrangement.
- Parenting – The difference between parenting wisely and parenting "hopefully" is appreciated fully when participants become involved in any of the parenting classes, parenting lectures, or parenting focus groups offered on a regular basis. Counselors who not only work with parents and children in their counseling practice, but also appreciate the value of group learning and shared problem-solving, serve as teachers, facilitators, and guest lecturers in this worthy program.

Family and Youth Counseling Agency, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

1. Nature of Activities – Continued

- Autism Society – The Autism Society promotes lifelong access and opportunities for persons within the autism spectrum and their families, to be fully included, participating members of *their communities through advocacy, public awareness, education, and research related to voluntarism as it develops and fosters family stability.*

YOUTH LEADERSHIP

- Youth Leadership Development – Designed with the overall goal of minimizing drug use among young people, participants in Teen Leadership will explore leadership principles, success and positive attitude, self-respect and responsibility, the varying dynamics of communication, conflict prevention and negotiation, and much more. Young people are eligible to join groups of twelve who meet for 90 minutes once a week for six weeks and participate in experiential learning opportunities, the first phase of the program. Phase 2 includes the opportunity for community service.
- Learning Circles – This program, sensitive to girl's needs, encourages and promotes self-respect and responsibility through leadership skills development. Program participants have a chance to explore gender sensitive issues such as communications, boundaries, roles, confidence and inner strength, diversity, personal potential and more. The impact of the program is a reduction in early parenthood, prevention of drug abuse and decrease in domestic violence, as leaders emerge.
- Teen Center – The Teen Center promotes positive social interactions and youth development by addressing current youth issues (substance abuse, violence, health promotion, early parenthood, etc.). The Teen Center promotes and encourages involvement and voluntarism as it develops leadership, social and life skills. The Teen Center is a safe place for youth.
- Leadership Center – It is the purpose of The Leadership Center to offer youth a one-stop system of support resulting in open doors of opportunity for young people through leadership development. The right interventions at the right time will give youth the necessary head start and skills enhancement opportunities in the area of education, life skills, social and physical development, emotional intelligence, and employment readiness.

Family and Youth Counseling Agency, Inc.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

1. Nature of Activities – Continued

CHILD ADVOCACY

- Children's Advocacy – Sexual abuse of children touches all communities, even Southwest Louisiana. Family and Youth's creation of a child-friendly program, designed to coordinate services to youngsters who report as sexually or severely physically abused, now brings together investigative, medical, and mental health systems in order to properly address this social dysfunction. Professional counseling, linkage with mental health and victim advocacy services, and multi-disciplinary team reviews, provides the necessary foundation for total systematic change – a pro-active approach intended to reduce the trauma and incidence of sexual and physical abuse of children in Southwest Louisiana.
- Child Abuse Prevention – Professional staff delivers educational presentations intended to prevent child abuse. Businesses, schools, churches, civic groups and others interested in child abuse. Businesses, schools, churches, civic groups and others interested in child abuse prevention programs need only to call and schedule presentations.
- Court Appointed Special Advocates (CASA) – Each year, many children in Southwest Louisiana enter into complex social welfare and juvenile court proceedings through no fault of their own. They are victims of abuse, neglect or abandonment. They belong to no one as they sit silently waiting for the courts to decide their future. CASA volunteers work with the judge, attorneys and social workers, as appointed officers of the court. CASAs, after review of records and personal interviews, report their findings to the courts and make recommendations to the judge regarding the best placement for the child.

BUSINESS AND INDUSTRY SUPPORT

- Employee Assistance Program (EAP) – Multiple and single behavioral risk factors are identified and treated by employee assistance counselors who consider the impact of personal problems on the workplace. These counselors provide service to business and industry by providing crisis management, assessment and conflict intervention, direct confidential care to employees and their dependents, as well as consultation to management. Business and industries are invited to design contractual agreements that serve the particular behavioral and mental health needs of their organizations.
- Veterans Support Services – Authorized for treatment by the Veterans Administration, participants in this counseling readjustment opportunity are combat veterans who continue to experience extraordinary emotional responses to the pressures and stresses of daily life. Group and individual counseling sessions allow the veterans who qualify to address a wide variety of war-related readjustment challenges, thereby diminishing relationship difficulties and increasing overall family stability.

Family and Youth Counseling Agency, Inc.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

1. Nature of Activities – Continued

- Consultative Services – The use of consultants is an option that business and industry, for-profit and not-for-profit, are using with increasing frequency. A professional team is available to provide clients with credible and hands-on experienced information to minimize barriers and pitfalls in their businesses. In addition, the team can assist in human resource training design, training delivery, and overall management support to maximize employee performance productivity.
- School Consultation – Counselors provide schools with on-site and written consultation during the school year, thereby supporting teachers and supervisory staff with professional mental health services. Special student needs are identified and given individual case management and follow-up. Teacher strengths are also documented and encouraged through written evaluations to strengthen the positive overall value of this program that readies young children for success in school.
- Career Assessment – People today seek validating information about themselves and about their relationship to the working world, information that will lead them to greater understanding and to better decisions about the course of their lives. With the use of a specially designed interest/personality/aptitude assessment inventory, individuals can validate or explore their career opportunities and then discuss, with their counselor, the next steps towards realizing their optimum place in the world of work.

SUBSTANCE ABUSE PREVENTION

- Drug and alcohol prevention is a program designed to help individuals prone to bring harm to themselves, their families, and to the community-at-large, through excessive use of and or dependence on various types of drugs (including alcohol) and narcotics for mental stimulation and/or relief from pain or stress. Program elements include: psychotherapy, group therapy, and family therapy, as well as consultation and training of support agencies. All treatment is provided on an outpatient basis.

PROFESSIONAL AND COMMUNITY DEVELOPMENT

- Family and Youth Counseling Agency, Inc. is committed to the development of its board, staff and volunteers as well as the development of professional competencies of those working with children, teenagers, adults, couples, elders, and families. The agency believes that all professionals in the field possess the ability to deliver quality services to the community and will be successful in their work when professional support is available. Family and Youth Counseling Agency coordinates satellite videoconferences, one-day workshops, and the annual Family Focus two-day conference for the human service professional.

Family and Youth Counseling Agency, Inc.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

2. Use of Estimates

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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Basis of Accounting

The financial statements of the Agency have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

4. Basis of Presentation

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. Under SFAS No. 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.

5. Cash and Cash Equivalents

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

6. Comparative Financial Information

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 the organization's financial statements for the year ended December 31, 2002, from which the summarized information was derived.

Family and Youth Counseling Agency, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

7. Donated Property and Equipment

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, the Agency reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Agency reclassifies temporarily restricted net assets to unrestricted net assets at that time.

8. Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Agency. Included in the financial statements are donated services valued at \$23,487 for the Child Advocacy and CASA programs. Volunteers also provided various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under SAFS No. 116 were not met.

9. Income Taxes

The Agency is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Agency qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

10. Investments

Investments in marketable equity securities with readily determinable fair values are stated at fair market value. Donated investments are reflected as contributions at their market values at date of receipt. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

11. Promises to Give

Unconditional promises to give are recognized as revenues, or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. At December 31, 2003, the unconditional promise to give of \$413,971 was from United Way of Southwest Louisiana. These funds will be received in the year 2004 but are recorded as temporary restricted revenues for the year ended December 31, 2003 in accordance with SFAS 116, *Accounting for Contributions Received and Contributions Made*.

Family and Youth Counseling Agency, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

12. Restricted and Unrestricted Revenue Support

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

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. In the event that restricted support is received in the same period as the restriction lapses, the Agency follows the practice of reporting the support as unrestricted.

13. Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterment that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost. The Agency uses straight-line depreciation.

14. Concentration of Revenue and Support

The majority of the funding for the Agency's programs is provided by the United Way of Southwest Louisiana (27%) and various federal, state, and local grants on a year-by-year basis. In addition, the Agency derives its program fees from the geographic region of Southwest Louisiana encompassing five parishes.

15. Fair Values of Financial Instruments

The Agency has a number of financial instruments, none of which is held for trading purposes. The Agency estimates that the fair value of all financial instruments at December 31, 2003 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Agency using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Agency could realize in a current market exchange.

Family and Youth Counseling Agency, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003

NOTE B – LONG TERM LIABILITIES

The note payable for the Agency at December 31, 2003 consisted of the following:

The Joe W. and Dorothy Dorsett Brown Foundation
New Orleans, Louisiana:

The Agency received a loan from the Brown Foundation in which the Foundation advanced Funds of \$500,000 for the construction of a new facility. The terms of this loan require repayment in annual installments of \$25,000 over a 20 year period with no stated interest. Imputed interest on these advances has not been included in the financial statements inasmuch as there would be no effect on the change in net assets.

\$300,000

Less current maturities

25,000

Total long-term portion

\$275,000

The following is a schedule of principal payments on long-term debt for the five years subsequent to December 31, 2003:

Year Ending December 31:

2004	\$ 25,000
2005	25,000
2006	25,000
2007	25,000
2008	25,000
2009 and thereafter	<u>200,000</u>
Total	<u>\$275,000</u>

NOTE C – FUND-RAISING

Certain publicity and promotion activities were undertaken in the year, which also serves as fund-raising events. Total fund raising for 2003 yielded \$34,735 with the cost of these activities being \$69,386, which included the partial costs of salaries of employees involved in fundraising efforts. These fund raising expenses are included in the Statement of Functional Expenses in the categories to which they relate.

Family and Youth Counseling Agency, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003

NOTE D – EXPENSE ALLOCATION METHODS

Expenses were allocated in the accompanying financial statements to program and administrative functional expense groups. The methods of allocation were based on the Agency's estimates of the relative proportion of various staff members' time and effort between program and administrative functions as well as the Agency's estimates of the amount of each expense utilized for program or administrative functions.

NOTE E – UNRESTRICTED NET ASSETS

During the year ended December 31, 2003, the Board of Directors designated certain special events and investment income to be set aside for the building project. A reconciliation of the changes in the designated fund balance is as follows:

Beginning Balance, December 31, 2002	\$ 260,353
Net assets released from designation	<u>(25,000)</u>
Ending balance, December 31, 2003	<u>\$ 235,353</u>

NOTE F – CONCENTRATION OF RISK

Financial instruments that potentially subject the Agency to concentrations of credit risk consist principally of promises to give receivable. Amounts receivable from promises to give at December 31, 2003 consists of \$413,971 from the United Way of Southwest Louisiana.

The Agency also has exposure for credit risk with regard to its investments in mutual funds with fair market values totaling \$242,139 because those funds are not insured against market risk.

NOTE G – PROMISES TO GIVE

During the year ended December 31, 2003, the Agency received its 2004 United Way allocation. This allocation is temporarily restricted as to time of receipt and is properly reflected in the accompanying statement of activities as an increase in temporarily restricted net assets. Uncollectible allocations are expected to be insignificant.

Unconditional promises to give at December 31, 2003 are as follows:

Receivable in less than one year	<u>\$413,971</u>
Total unconditional promises to give	413,971
Less discounts to net present value	0
Less allowance for uncollectible promises receivable	0
	<u>0</u>
Net unconditional promises to give at December 31, 2003	<u>\$413,971</u>

Family and Youth Counseling Agency, Inc.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

NOTE H – RETIREMENT COMMITMENTS

The Agency contributes to a defined contribution plan through Mutual of America Life Insurance Company.

Full time employee membership is mandatory as a condition of employment. Eligibility requirements consist of minimum age of 21 and one year of service. Participants are fully vested upon completion of 3 years of service.

The Agency is required to contribute 9.5% of the participants' compensation. Non-deductible voluntary employee contributions are not permitted. Total contributions made by the Agency for 2003 were \$65,557.

Mutual of America Life Insurance Company issues an annual financial report that includes financial statements and required supplementary information for the plan. That report is available upon request.

NOTE I – INVESTMENTS

The Agency's investments at December 31, 2003 consisted of mutual funds with fair market values and cost bases (basis includes reinvested dividends and capital gain distributions) as follows:

	<u># Shares</u>	<u>FMV</u>	<u>Cost Basis</u>
Wells Fargo:			
Large Company Growth Fund	610.727	\$ 29,150	
Montgomery Total Return Bond Fund I	1277.826	15,730	
Total Wells Fargo	1888.553	44,880	61,938
Third Avenue Value Fund	1803.924	74,773	58,015
MF Investors-Hibernia:			
Massachusetts Investors Growth Stock Fund Class B	1076.353	11,228	21,587
Hibernia Bank - CDs		30,219	29,494
Merrill Lynch - CDs		102,577	100,000
Total Investments		<u>\$ 263,677</u>	<u>\$ 271,034</u>

Investment return for the year ended December 31, 2003 is summarized as follows:

Interest Income	\$ 4,591
Dividends/Capital Gain Distributions	1,279
Net Unrealized Gain on Investments	27,981
Total Unrestricted Investment Income	<u>\$ 33,851</u>

Family and Youth Counseling Agency, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003

NOTE J – LEASES

On September 23, 2001, the Agency entered into a five-year cancelable lease for a building to operate the Leadership Center Program for a monthly lease of \$ 4,850. The lease shall remain in effect provided the program is funded annually by United Way, the Workforce Investment Board or any other specific source. In exchange for a 10% discount on six months lease payments, the Agency made a lump sum payment of \$13,095 in September 2003. The agreement also calls for monthly payments of 50% of the discounted lease amount for six months, after which the monthly payment will return to the original contracted amount, in order to receive a 10% discount on six months of lease payments. Lease expense for 2002 and 2003 was \$56,260 and \$60,625, respectively.

The Agency leases space for the CASA program from the City of Jennings under a monthly lease arrangement. Lease expense for 2002 and 2003 was \$2,855.15 and \$2,907.80, respectively.

The location for the Paragon Teen Center is leased under a monthly lease arrangement for \$1,500 per month. Total lease expense for 2002 and 2003 was \$1,500 and \$18,000, respectively.

NOTE K – UNEARNED INCOME

As of December 31, 2003, the Agency received \$23,174 in grant proceeds that are to be used during 2004.

SUPPLEMENTAL INFORMATION

Family and Youth Counseling Agency

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2003

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditure</u>
U.S. Department of Health and Human Services:			
Pass-through programs from:			
Louisiana Department of Social Service			
Office of Community Services			
Louisiana Children's Trust Fund			
Child Abuse Prevention	93.672	600417	\$ 2,500
Family Focus Fund	93.672	600789	3,000
Autism	93.672	585399	1,500
Parent Education	93.672	585398	5,300
Parent Education	93.667	5779900	9,420
Children's Justice Act Program	93.643	591725	10,000
Louisiana Department of Health and Hospitals			
Region 5 - Office for Addictive Disorders			
Parent Education	93.959	570428/594970	15,339
Leadership	93.959	581544/596172	30,285
Louisiana Supreme Court			
LA CASA TANF Grants			
CASA TANF	93.558		122,733
BeauCARE, Inc.			
Paragon Center	93.558	589353	<u>68,614</u>
Total U.S. Department of Health and Human Services			<u>268,691</u>
U.S. Department of Justice:			
Pass-through programs from:			
National Children's Alliance	16.582		10,000
Louisiana Commission on Law Enforcement			
CASA	16.575	C02-6-002	29,506
Child Abuse Counseling	16.575	C02-6-001	26,948
Child Advocacy	16.575	C02-6-003	62,967
Delinquency Prevention Program	16.548	W00-6-001/W01-6-002	39,837
State of Louisiana Office of the Governor			
Governor's Safe and Drug-Free Schools and Communities		602090	<u>25,934</u>
Total U.S. Department of Justice			<u>195,192</u>
U.S. Department of Labor:			
Pass-through programs from:			
Louisiana Department of Labor			
Title IB WIA Youth Funds			
Calcasieu Parish Police Jury			
Workforce Investment Board Grant-Leadership Center	17.259	4-IB-02/03	111,783
Workforce Investment Board Grant-Paragon Center	17.259	11-IB-02/03	<u>44,255</u>
Total U.S. Department of Labor			<u>156,038</u>
Total Expenditures of Federal Awards			<u>\$ 619,921</u>

Family and Youth Counseling Agency, Inc.

Schedule of Findings and Questioned Costs
Year Ended December 31, 2003

Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of Family and Youth Counseling Agency, Inc. (FYC).
2. No reportable conditions or material weaknesses were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of FYC were disclosed during the audit.
4. Two instances of noncompliance were disclosed during the audit of internal control over major federal award programs are reported in the *Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB A-133*.
5. The auditors' report on compliance for the major federal award programs for FYC expresses an unqualified opinion on all major federal programs.
6. Audit findings relative to the major federal award programs for FYC are reported in this schedule.
7. The programs tested as major programs included
 - Workforce Investment Board CFDA #17.259
 - TANF CFDA #93.558
8. The threshold for distinguishing Types A and B programs was \$309,961.
9. FYC was determined to be a moderate-risk auditee.

Findings and Questioned Costs – Major Federal Award Program Audit

Department of Labor

- 03-1 Workforce Investment Board Grant – CFDA No. 17.259; Grant period – July 2002 – June 2003; June 2003- July 2004

Condition: Documentation of a Receipt of Grievance and Complaint Procedure could not be located in ten (10) of the eighteen (18) participant files tested.

Criteria: The requirements of the program are a Receipt of Grievance and Complaint Procedure is to be retained in each participant's file.

Effect of Condition: The cost of assistance may be disallowed.

Cause of Condition: The Agency did not obtain the original signed copy of the form when the participant entered the program.

Recommendation: The Agency should have each participant complete and sign the Receipt of Grievance and Complaint Procedure form and maintain in each participant's file upon entering the program.

Family and Youth Counseling Agency, Inc.

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2003**

Department of Labor

Finding 02-1: Workforce Investment Board Grant – CFDA No. 17.259

Condition: Documentation of a Receipt of Grievance and Complaint Procedure could not be located in any participant's file.

Recommendation: It was recommended that the Agency should create a Receipt of Grievance and Complaint Procedure form and maintain in each participant's file.

Current Status: Partially Resolved. The Agency did create a Receipt of Grievance and Complaint Procedure form, and some participants had completed and signed the form. The Agency should have each participant complete and sign the Receipt of Grievance and Complaint Procedure form and maintain in each participant's file upon entering the program.

Department of Health and Human Services

Finding 02-2: TANF – CFDA No. 93.558

Condition: The eligibility criteria statement was not signed by a responsible family member.

Recommendation: The Agency should train the CASA volunteers to obtain signature of a responsible family member to certify eligibility criteria and return the original form to the Agency for future processing.

Current Status: Corrective action was taken.

Family and Youth Counseling Agency
STATEMENT OF IOLTA GRANT FUNDS
Year Ended December 31, 2003

Grant funds received	\$ <u>7,205</u>
Funds disbursed:	
Salaries	\$ <u>7,205</u>

McMullen and Mancuso
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**Independent Auditors' Report on Compliance and on Internal Control
Over Financial Reporting Based on
an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

To the Board of Directors
Family and Youth Counseling Agency, Inc.
Lake Charles, Louisiana

We have audited the financial statements of Family and Youth Counseling Agency, Inc. as of and for the year ended December 31, 2003, and have issued our report thereon dated March 19, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Family and Youth Counseling Agency, Inc.'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 to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Family and Youth Counseling Agency, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

McMullen and Mancuso, CPAs

McMullen and Mancuso, CPAs

March 19, 2004

Members

American Institute of Certified Public Accountants
Louisiana Society of Certified Public Accountants

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**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program And Internal Control
Over Compliance In Accordance With OMB Circular A-133**

To the Board of Directors
Family and Youth Counseling Agency, Inc.
Lake Charles, Louisiana

Compliance

We have audited the compliance of the Family and Youth Counseling Agency, Inc. (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The Family and Youth Counseling Agency, Inc.'s major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Family and Youth Counseling Agency, Inc.'s management. Our responsibility is to express an opinion on the Family and Youth Counseling Agency, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Family and Youth Counseling Agency, Inc.'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 the Family and Youth Counseling Agency, Inc.'s compliance with those requirements.

In our opinion, the Family and Youth Counseling Agency, Inc. complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying schedule of findings and questioned costs as items 03-1.

Internal Control Over Compliance

The management of Family and Youth Counseling Agency, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Family and Youth Counseling Agency, Inc.'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 the internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

McMullen and Mancuso, CPAs

McMullen and Mancuso, CPAs

March 19, 2004

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March 19, 2004

Family and Youth Counseling Agency, Inc.

Lake Charles, LA 70605

In planning and performing our audit of the financial statements of Family and Youth Counseling Agency, Inc. for the year ended December 31, 2003, we considered the Agency's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses 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 components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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. However, we noted no matters involving the internal control and its operation that we consider to be material weaknesses as defined above.

However, during our audit we became aware of a few matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions concerning those matters. We previously reported on the Agency's internal control in our report dated March 19, 2004. This letter does not affect our letter dated March 19, 2004, on the financial statements of Family and Youth Counseling Agency, Inc.

During our audit, we found that miscellaneous receivables were not always reconciled to the general ledger. We found an amount in the general ledger that we later discovered should have been voided. Additionally, it was not clear what type of collection efforts had been taken on all of the invoices. While some were marked that second and third efforts were made, often the notations did not include the date that the effort was made. Some were several months delinquent before any collection effort was made.

We recommend that an aged trial balance be maintained on the miscellaneous receivables just as is done for the traditional client accounts receivable. Collection efforts should be made at regular intervals and annotated as to the date and method of follow up. Any account that is written off, or invoice that is voided should have a complete explanation attached to the invoice.

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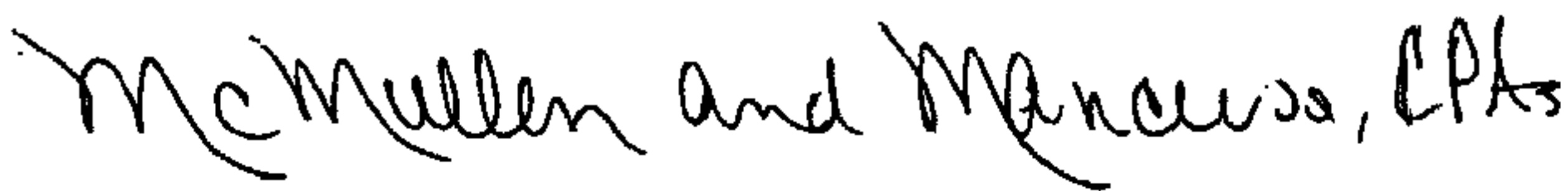
Louisiana Society of Certified Public Accountants

Another matter that we discovered is that the various credit card payable accounts were not reconciled to the general ledger. In some instances, the credit card bill was paid from the statement even though all of the invoices from the statement were not located and entered into the ledger. While we did not find any instance where an invoice was paid that was not a true liability of the Agency, it is possible that this could occur if the invoices are not located prior to payment. Additionally, it is possible that grant expenses may not be recovered from the grant if the invoice is not recorded and charged to the grant. We did find one instance of an invoice that needed to be reimbursed from a grant. Fortunately, the grant had not been closed and thus the cost could still be recovered from the grant. We recommend that the Agency enforce their policy of only paying invoices that have been entered from approved supporting documentation. The credit card payables should be reconciled monthly and any invoices that are listed on the statement that have not been turned in to the accounting department should be investigated.

The preceding comments and recommendations are intended solely for the information and use of the finance committee, management and others within the organization and should not be used by anyone other than these specified parties.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Agency personnel, and we will be pleased to discuss them in further detail at your convenience.

Sincerely

A handwritten signature in black ink that reads "McMullen and Mancuso, CPAs". The signature is written in a cursive, flowing style.

McMullen and Mancuso, CPAs

MANAGEMENT'S CORRECTIVE ACTION PLAN

Family and Youth Counseling Agency, Inc.

To the following oversight agencies for audit:

State: Legislative Auditor of the State of Louisiana

Family and Youth Counseling Agency, Inc. respectfully submits the following Corrective Action Plan for the year ended December 31, 2003.

Name and address of independent public accounting firm: McMullen and Mancuso, CPAs, LLC; 3600 Maplewood Drive, Sulphur, LA 70663.

Audit Period: For the year ended December 31, 2003.

Our corrective action plan for the finding listed in the Schedule of Findings and Questioned Costs is as follows:

Finding 03-1 – Documentation of a Receipt of Grievance and Complaint Procedure could not be located in ten (10) of the eighteen (18) participant files tested.

Management's Response: The Agency will have each participant complete and sign the Receipt of Grievance and Complaint Procedure form and maintain in each participant's file upon entering the program.

Our corrective action plan for the management letter suggestions are as follows:

ML-1 – Reconciliation of Miscellaneous Receivables to the general ledger not always performed.

Management's Response: We will implement the procedures recommended by our auditors.

ML-2 – Reconciliation of Credit Card Payables to the general ledger not performed.

Management's Response: We will implement the procedures recommended by our auditors.


Board President
Family and Youth Counseling Agency, Inc.