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LOUISIANA FAMILY COUNCIL, INC.

REPORT OF THE AUDIT OF THE FINANCIAL STATEMENTS

FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2003

LOUISIANA FAMILY COUNCIL, INC.
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FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2003

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Louisiana Family Council, Inc.
New Orleans, LA 70125

I have audited the accompanying statement of financial position of Louisiana Family Council, Inc., (a nonprofit organization), as of December 31, 2003, and the related statements of activities, functional expenses and cash flows for the fifteen months then ended. These financial statements are the responsibility of Louisiana Family Council, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Family Council, Inc. as of December 31, 2003, and the changes in its net assets and its cash flows for the fifteen months then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 30, 2004 on my consideration of Louisiana Family Council, Inc.'s internal control over financial reporting and my 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.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Louisiana Family Council, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is 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 my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Delphine A. Cuppay, CPA

Delphine A. Cuppay, CPA
Slidell, Louisiana

June 30, 2004

LOUISIANA FAMILY COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2003

ASSETS

Current Assets:	
Cash and cash equivalents	$ 150
Accounts receivable grants and contracts (Note 3)	25,137
Prepaid expenses	1,400
Total current assets	26,687
Property and Equipment:	
Furniture, fixtures and equipment, net of accum. depreciation of $2,901 (Note 4)	16,336
Other Assets:	
Security deposits	1,350
TOTAL ASSETS	$ 44,373

LIABILITIES AND NET ASSETS

Current Liabilities:	
Bank overdraft	$ 12,376
Bank line of credit	3,950
Payroll taxes payable	10,380
Due to officers (Note 5)	42,246
Total current liabilities	68,952
Net Assets:	
Unrestricted net assets:	
Undesignated net assets	(24,579)
Total unrestricted assets/Total net assets	(24,579)
TOTAL LIABILITIES AND NETS ASSETS	$ 44,373

The accompanying notes are an integral part of the financial statemen

LOUISIANA FAMILY COUNCIL, INC.
STATEMENT OF ACTIVITIES
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2003

UNRESTRICTED NET ASSETS:	
Revenue and support:	
Contributions	$ 350
Donated materials, equipment and facilities	7,369
Net assets released from restrictions	451,326
TOTAL UNRESTRICTED REVENUE AND SUPPORT	459,045
FUNCTIONAL EXPENSES:	
Program services	443,625
Supporting services:	
Management and general	39,999
Grant expenses	0
Fundraising expenses	0
TOTAL FUNCTIONAL EXPENSES	483,624
TOTAL EXPENSES	483,624
DECREASE IN UNRESTRICTED NET ASSETS	(24,579)
TEMPORARILY RESTRICTED NET ASSETS:	
State Grants - funding for current year	451,326
Net assets released from restrictions	(451,326)
INCREASE/(DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	0
DECREASE IN NET ASSETS	(24,579)
NET ASSETS AT BEGINNING OF YEAR	0
NET ASSETS AT END OF YEAR	$ (24,579)

The accompanying notes are an integral part of the financial statemen

LOUISIANA FAMILY COUNCIL, INC.
STATEMENT OF CASH FLOWS
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase/(Decrease) in net assets	$ (24,579)
Adjustments to reconcile increase/(decrease) in net assets to net cash provided by operating activities:	
Depreciation	2,901
Donated property and equipment	(4,969)
(Increase)/Decrease in operating assets:	
Increase in accounts receivable	(25,137)
Increase in prepaid expenses	(1,400)
Increase in security deposits	(1,350)
Increase/(Decrease) in operating liabilities:	
Increase in bank overdraft	12,376
Increae in bank line of credit	3,950
Increase in payroll taxes payable	10,380
Increase in due to officers	42,246
NET CASH PROVIDED BY OPERATING ACTIVITIE	14,418
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	(14,268)
Total cash flows from investing actitivies	150
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	150
BEGINNING CASH AND CASH EQUIVALENTS	0
NET CASH AND CASH EQUIVALENTS	$ 150

The accompanying notes are an integral part of the financial statemen

LOUISIANA FAMILY COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2003

	Program Services	Managmt. & General	Grant Expense	Fund-Raising	Total
Compensation and related expenses:					
Compensation:					
Chief Exec. Officer	$ 22,322	11,550			$ 33,872
Executive Director	25,088	6,250			31,338
Accountant.	1,003	1,400			2,403
Program Directors	58,118				58,118
Case Mgmt/Intake	'48,590				48,590
Outreach/Training	40,564				40,564
Outreach-Adm.Assts	7,028				7,028
Related benefits:					0
Payroll taxes	18,228	1,559			19,787
					0
Accounting and audit		12,286			12,286
Advertising		300			300
Bank charges		3,474			3,474
Continuing Prof. Education		454			454
Fatherhood program exp	33,449				33,449
Marriage program expens	32,014				32,014
Depreciation	2,901				2,901
Equipment Rental	409				409
Grant expenses			0		0
Fundraising expenses				0	0
Insurance		2,157			2,157
Interest expense		164			164
License & permits		405			405
Miscellaneous	4,206				4,206
Proff. Counseling Fees	34,810				34,810
Rent-Offices	54,000				54,000
Rent-Copiers	6,155				6,155
Repair & maintenance	1,256				1,256
Telephone	18,461				18,461
Travel & Ent. expenses	16,240				16,240
Utilities	1,292				1,292
Suplies:					0
Client training materials	7,040				7,040
Office & postage	10,451				10,451
TOTALS	$ 443,625	39,999	0	0	$ 483,624

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

LOUISIANA FAMILY COUNCIL, INC. INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2003

NOTE 1-ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. *Organization*

(1) The Organization

Louisiana Family Council, Inc. was incorporated as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code in August, 2002 and this report pertains to its first fifteen months of operations which began October 1, 2002 and ended December 31, 2003. Louisiana Family Council, Inc. is dedicated to improving the mental, behavioral and emotional well-being of families throughout the State of Louisiana. The Organization operates its programs under three divisions known as The Center for Healthy Marriage and Relationships, The Center for Fathering and The Center for Mothering which are located at 4722 Earhart Boulevard in New Orleans, Louisiana, its main office, and also operates two Outreach offices: one located at 2348 East Texas Street, Suite #2 in Bossier City, Louisiana and the other one is located at 300 Apple Street in Monroe, Louisiana. These locations are staffed by case managers, instructors and contracted professionals.

(2) The Nature of Program Services

Louisiana Family Council is a family empowerment center designed to address the unique needs of today's ever-changing families through programs of education, training, and public awareness. The goal of programs is to empower families and improve outcomes for children and at-risk or fragile families, in particular, by promoting self-sufficiency and family stability. Many of these families experience numerous social, educational, financial, and other challenging circumstances which threaten the formation and maintenance of self-sufficient, stable, healthy families.

The Organization's programs utilize a holistic "whole-family" approach and address the total person: physically, emotionally, spiritually and socially. Programs assist participants in acquiring and upgrading parenting, social, and relationship skills, thereby improving the lives of children and reducing the risks associated with making poor life choices. Programs "build" men, women and children and "construct" them into youths and adults who make healthy life choices, become strong parents and form families that are equipped with the necessary tools to be successful and positive contributors to the community thereby eventually building stronger, healthier communities.

Louisiana Family Council, Inc. operates a Teen Pregnancy Prevention program, a Responsible Fatherhood program, a Healthy Marriage program and the State's Access and Visitation program for child support enforcement and the involvement of non-custodial parents in the lives of their children.

The Organization sponsors public awareness campaigns individually and in partnership with other organizations on healthy marriages, responsible parenting, responsible fatherhood, sexual abstinence until marriage and healthy relationships utilizing printed materials and broadcast media.

3) Economic Dependence

Louisiana Family Council, Inc. is significantly funded by the State of Louisiana, Department of Social Services, Office of Family Support. Should the State of Louisiana cut its funding or disallow items, Louisiana Family Council, Inc. would be required to reduce its services.

B. *Significant Accounting Policies*

(1) Financial Statement Presentation

The financial statements are prepared on the accrual basis of accounting and 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, Louisiana Family Council, Inc. is required to report its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Also required is the presentation of a statement of cash flows.

Unrestricted net assets represent those assets which are not subject to donor-imposed stipulations and, therefore, are assets the organization may use at its discretion.

Temporarily restricted net assets result from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Louisiana Family Council, Inc. pursuant to those stipulations.

Permanently restricted net assets result from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Louisiana Family Council, Inc.

Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other nets assets, including board-designated or appropriated amounts, are legally unrestricted and are reported as part of the unrestricted class.

Louisiana Family Council, Inc. does not have any permanently restricted net assets for the fifteen months ended December 31, 2003.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-stipulated restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

(2) Contributions

Louisiana Family Council, Inc. has adopted Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions are recognized when the donor makes a promise to give and are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Louisiana Family Council, Inc. reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statement of activities as net assets released from restrictions.

The organization reports contributions of assets other than cash at their estimated fair value at the date of the gift and are reported as revenues of the unrestricted net asset class unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as revenues of the temporarily restricted or permanently restricted net asset classes. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net assets classes. When a qualifying expenditure occurs or a time restriction expires, temporarily restricted assets are recognized in unrestricted net assets as "net assets released from restrictions" in the statement of activities. However, if a restriction is fulfilled in the same period in which the contribution is received, the contribution is reported as an unrestricted contribution.

(3) Property and Equipment

Land, major renovations or major repairs and equipment are stated at cost at the date of acquisition or renovation, or, if donated, at fair value at date of donation. Minor renovations or repairs are charged to operations and maintenance as incurred. Depreciation of furniture and equipment is provided on the straight-line basis over an estimated useful life of five years. Leasehold improvements are amortized over an estimated useful life of ten years. Amortization expense of leasehold improvements is included in the depreciation expense reported in the financial statements.

(4) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and revenues and expenses recognized during the reported period. Actual results could differ from those estimates.

(5) Cash and Cash Equivalents and Concentrations of Credit Risk

Cash and cash equivalents consist of cash held in checking accounts which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000. Since the amounts held in these checking accounts do not exceed the insured limit, management believes Louisiana Family Council, Inc. is not exposed to any significant credit risk on cash and cash equivalents.

(6) Functional Allocation of Expenses

The cost of providing the program and administering the related supporting services have been summarized on a functional basis in the statement of activities. Accordingly, expenses that benefit both program and supporting services have been allocated using management's estimates.

Louisiana Family Council, Inc.'s activities of fundraising and membership services in many cases include purposes or contents related to a program service. American Institute of Certified Public Accountants Statement of Position 98-2 states that joint costs of informational materials or activities should be allocated between fundraising and the appropriate program or general function if it can be demonstrated that a program or general function has been performed in conjunction with the appeal for funds. Although Louisiana Family Council, Inc. has the ability to give evidence for such combined activities, it does not allocate those portions from its fundraising and membership activities to program services.

7) Donated Materials and Services

Louisiana Family Council, Inc. records the value of donated goods and services received when there is an objective basis available to measure their value. Donated furniture and fixtures are reflected as contributions in the accompanying statements at their estimated values at date of receipt. No amounts have been reflected in the statements for donated food, clothing or services as no objective basis is available to measure the value of such goods or services.

(8) Income Taxes

Louisiana Family Council, Inc. has received a determination letter from the Internal Revenue Service (IRS) indicating that it is a tax-exempt organization as provided for in Section 501(c)(3) of the Internal Revenue Code, except for taxes pertaining to unrelated business income, and is exempt from Federal and state income taxes. In addition, the organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. No provision has been made for income taxes in the accompanying financial statements since Louisiana Family Council, Inc. does not have a significant amount of unrelated business income for the fifteen months ended December 31, 2003.

(9) Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand and demand deposits with financial institutions.

(10) Operations

Louisiana Family Council, Inc. entered into several costs reimbursement contracts with the State of Louisiana, Department of Social Services, Office of Family Support whereby expenses incurred with its Temporary Assistance for Needy Families program in the form of a Responsible

Fatherhood program in connection with Parenting/Fatherhood-TANF Initiative, a Healthy Marriage program in connection with Marriage-TANF Initiative, and an Access and Visitation program for child support enforcement and the involvement of non-custodial parents in the lives of their children in connection with the State's TANF Block Grant, all of which would be reimbursed by the Louisiana Department of Social Services upon presentation of expenses incurred. Also entered into with the State of Louisiana, Department of Social Services, Office of Family Support was a fee-for-service contract for a Teen Pregnancy Prevention program in connection with the Teen Pregnancy Prevention TANF Initiative.

(11) Total Columns

Total columns are presented to facilitate financial analysis. Data in these columns do not present financial position, results of activities and changes in net assets in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation.

NOTE 2 - GRANTS FROM GOVERNMENTAL AGENCIES

Included in the grants from governmental agencies are funds received under contracts with the State of Louisiana, Department of Social Services, Office of Family Support, all of which were federal funds through United States Department of Health and Human Services in connection with the Temporary Assistance for Needy Families-TANF Initiative as follows: $221,652 in connection with the Parenting/Fatherhood TANF Initiative for Orleans and Ouachita Parishes and $64,419 for Rapides Parish; $106,512 in connection with the Marriage TANF Initiative for Caddo Parish; and $17,493 in connection with the State's TANF Block Grant and supplemental funding directly to the child support community in the form of an Access and Visitation grant for child support enforcement and the involvement of non-custodial parents in the lives of their children for the following areas: Baton Rouge, Shreveport, New Orleans and Jefferson Parish.

Also included in the grants from governmental agencies is funds received under a fee-for-service contract with the State of Louisiana, Department of Social Services, Office of Family Support, all of which were federal funds through United States Department of Health and Human Services in the amount of $41,249 in connection with the Temporary Assistance for

Needy Families - Teen Pregnancy Prevention TANF Initiative for the operation of a Teen Pregnancy Prevention program at all our facilities throughout the state.

NOTE 3 - ACCOUNTS RECEIVABLE

The accounts receivable due from grantor, State of Louisiana, Department of Social Services for services provided through December 31, 2003 is as follows:

Teen Pregnancy Prevention Grant	$13,763
Access & Visitation Program Grant	11,763
TOTAL RECEIVABLES	$25,137

All receivables are expected to be received in a timely manner.

NOTE 4 - PROPERTY AND EQUIPMENT

Depreciation is calculated using the straight line method over a useful life of five years. Leasehold improvements are amortized over ten years. For financial statement purposes, the amount of amortization expense has been included in depreciation expense. The acquisition and disposition of property and equipment transactions during the Organization's first fifteen months of operations consist of the following:

Property & Equipment	Additions	Dispositions	Costs as of 12/31/03
Furniture and fixtures	$ 19,237	$0	$19,237

Property & Equipment	Depre. Expense	Depreciation Written Off	Accum. Depre. as of 12/31/03
Furniture and fixtures	$ 2,901	$0	$16,336

Costs of Assets as of 12/31/2003	$19,237
Less Accumulated Depreciation	2,901
Net Book Value as of 12/31/2003	$16,336

NOTE 5 - DUE TO OFFICERS

The amount due to officers represent short-term amounts that are non-interest bearing and have no maturity dates. During the fifteen months ended December 31, 2003, Dianell Tate, Chief Executive Officer, loaned the Organization a $29,466 and Gail Tate, Executive Director, loaned $16,980 of their personal funds for a total of $46,446 to cover program expenses occurring during a period of cash flow problems. Of the amounts loaned to the Organization during the fifteen months ended December 31, 2003, $3,000 was paid to Dianell Tate and $1,200 was paid to Gail Tate. As of December 31, 2003, $26,466 was due to Dianell Tate and $15,780 was due to Gail Tate and, accordingly, the total amount due and payable to officers was $42,246.

NOTE 6 - ACCRUED EMPLOYEE BENEFITS

No amount has been reflected in the financial statements for accrued compensated absences as the amount cannot be reasonably estimated.

NOTE 7 - SPECIAL FUND-RAISERS

All contributions received came in from time to time from spontaneous donations by people and organizations moved to help with the costs of funding the program. There were no special fund-raisers during the fifteen months ended December 31, 2003.

NOTE 8 - DONATED MATERIALS, EQUIPMENT AND FACILITIES

The value of donated materials, equipment and facilities included in the financial statements for the fifteen months ended December 31, 2003 is a follows:

Donated furniture, fixtures & equipment	$4,969
Donated facilities	2,400
Total donated materials, equipment and facilities	$7,369

NOTE 9 - ADVERTISING COSTS

During the fifteen months ended December 31, 2003, the only advertising costs that were incurred by Louisiana Family Council, Inc. was in connection with the purchase of a $300 outdoor sign advertising the location and nature of the programs offered by Louisiana Family Council, Inc.

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Required by Statement of Accounting Standards (SFAS) No. 107, *Disclosure about Fair Value of Financial Instruments*, disclosure of fair value information about certain financial instruments is required, whether or not recognized in the statement of financial position for which it is practicable to estimate that value. The following methods and assumptions were used in estimating fair value:

	Carrying Amounts	Fair Value
Cash and cash equivalents	$150	$150

Cash and cash equivalents consists entirely of monies held in bank checking accounts. The carrying value of cash and cash equivalents approximates fair value because of the ease of convertibility of these financial instruments into cash at any given time as the need may arise.

NOTE 11 - RENT, RENTAL COMMITMENTS AND LEASING ARRANGEMENTS

On October 1, 2002, Louisiana Family Council, Inc. began operations at its main office located at 3389 Ulloa Street, New Orleans, Louisiana. The facility was leased at a rate of $1,500 a month for a year. Rental expenses paid under this lease during its duration is $18,000. On October 1, 2003 the Organization moved its main office to its present location at 4722 Earhart Boulevard, New Orleans, Louisiana. The Organization is now under a year's operating lease which expires September 30, 2004 at which time it will revert to a month-to-month basis. The monthly rent for this location, according to the lease, is stated at $2,000 less a $600 discount, which discount is provided as Louisiana Family Council program support. Rental expenses paid under the lease from October 1, 2003 though December 31, 2003 amounted to $6,000 less the $2,400 discount disclosed in Note 8 as donated facilities. The total rental expense paid for the Organization's main office for the fifteen month ended December 31, 2003 was $24,000.

In addition to its main office, Louisiana Family Council, Inc. also established Outreach Offices in Monroe, Louisiana area, the Alexandria, Louisiana area and the Shreveport, Louisiana area.

For the Monroe, Louisiana area, the Organization negotiated a lease for the duration of one year for a facility located at 300 Apple Street, Monroe, Louisiana 71201 at a rate of $500 per month beginning October 1, 2002 and ending September 30, 2003, at which time the lease was re-negotiated for a rate of $450 per month on a month to month basis. The total rental expense paid for the Organization's outreach office in Monroe, Louisiana for the fifteen month ended December 31, 2003 was $7,050.

For the Alexandria, Louisiana area, the Organization negotiated the rental of a facility located at 3744 Government Street, Suite 1, Alexandria, Louisiana 71302 at a rate of $1,650 per month beginning October 1, 2002. However, after a few months of operations, the Organization decided to close its Alexandria, Louisiana outreach office and move everything to its Shreveport, Louisiana outreach office. The total rental expense paid for the Organization's outreach office in Alexandria for the fifteen month ended December 31, 2003 was $14,850.

For the Shreveport, Louisiana area, the Organization negotiated a three year lease of a facility located at 2438 East Texas Street, Suite No. 2, Bossier City, Louisiana 71111, beginning January 1, 2003 and ending December 31, 2006, at a rate of $675 per month with an option to renew at a rate to be negotiated at the time of renewal. The total rental expense paid for the Organization's outreach office in Alexandria for the fifteen month ended December 31, 2003 was $8,100.

Future minimum lease payments under lease for the Shreveport, Louisiana outreach office located in Bossier City, Louisiana that has initial or remaining non cancelable terms in excess of one year at December 31, 2003 are as follows:

Year Ending December 31,	
2004	$ 8,100
2005	8,100
	$16,200

Also, during the fifteen months ended December 31, 2003, Louisiana Family Council, Inc. negotiated three copier lease agreements - one for the main office in New Orleans, Louisiana, one for its Monroe, Louisiana Outreach Office and one for its Shreveport, Louisiana area Outreach Office.

For the Organization's main office located at 4722 Earhart Boulevard, New Orleans, Louisiana, Louisiana Family Council, Inc. negotiated a three-year non-cancelable equipment lease agreement for a Savin, Model 2522 copier at a periodic base charge of $182 per month beginning April, 2003 and ending thirty-six (36) months later. The total rental expense paid for the copier at the Organization's main office in New Orleans, Louisiana for the fifteen months ended December 31, 2003 was $2,304.

For the Monroe, Louisiana area, the Organization negotiated a three-year non-cancelable equipment lease agreement for a Ricoh, Model 350 copier for its Outreach Office facility located at 300 Apple Street, Monroe, Louisiana 71201 at a rate of $120.50 per month beginning May, 2003 and ending thirty-six (36) months later. The total rental expense paid for the copier at the Organization's Monroe, Louisiana Outreach Office for the fifteen months ended December 31, 2003 was $964.

For the Shreveport, Louisiana area, the Organization negotiated a three-year non-cancelable equipment lease agreement for a Xerox, Model 420 Digital Copier for its Outreach Office facility located at 2438 East Texas Street, Suite No. 2, Bossier City, Louisiana at a periodic base charge of $218.45 per month beginning March, **2003** and ending thirty-six (36) months later. The total rental expense paid for the copier at the Organization's Shreveport, Louisiana area Outreach Office for the fifteen months ended December 31, 2003 was $2,887.

Future minimum lease payments under lease that have initial or remaining non cancelable terms in excess of one year at December 31, 2003 for the copiers described above are as follows:

Year Ending December 31,	
2004	$ 6,251
2005	6,251
	$10,502

NOTE 13 - RELATED PARTY TRANSACTIONS

Louisiana Family Council, Inc. may purchase goods or services from companies that are affiliated with or owned by officers and directors or other such key employees, directly or indirectly. Items purchased are priced at competitive rates and are generally considered to be immaterial to the financial statements for the fifteen months ended December 31, 2003, except as noted below.

Sondra Allen-Borne is the Secretary of the Board of Directors of Louisiana Family Council, Inc. She is also a successful, well-established attorney in the community and, as such, it was her practice, even before she became involved in Louisiana Family Council, Inc. and its programs, to perform, for a nominal fee, many legal services for low-income individuals who could not otherwise afford legal services. She did this as a way to give back to the community. Louisiana Family Council, Inc., as part of its program, is obligated to help individual's participating in its programs to obtain legal services at a price they can afford. To provide such services in the community, Louisiana Family Council, Inc. entered into agreements with several area attorneys whereby it would refer individuals currently participating in its programs in need of legal services to them and they, in turn, agreed to provide such services for a nominal fee. Sondra Allen-Borne was one such attorney. After learning about Louisiana Family Council's programs, she became interested in its activities and eventually became a Board Member. Not long after that, she was named Secretary of the Board of Directors. As one of the attorneys who agreed to perform legal services for the low-income individuals participating in the Louisiana Family Council's programs, during the course of the fifteen months time period of October, 2002 through December 31, 2003, Louisiana Family Council has only referred two or three such individuals to her. Of that number, only one or two of them really had a case. The others simply received free legal advice. Of the cases she accepted from referrals by Louisiana Family Council, Inc., the legal fees she earned as a result of those cases were nominal, at best.

NOTE 14 - SUBSEQUENT EVENTS:

Recently Louisiana Family Council, Inc. has been recognized for its superior programs and for obtaining good results in reaching its program goals in that it has been named as a Congressional visit site for the Teen

Pregnancy Prevention Program it conducts at its facilities in the New Orleans, Louisiana area, the Monroe, Louisiana area and the Shreveport/Bossier City, Louisiana area. The Organization looks on this as quite an honor to be nationally recognized.

In addition, Louisiana Family Council, Inc. has established itself as one of the organizations on the cutting edge in Marriage Education Services. The Federal Government currently recognizes the Organization as one of the authorities in working with minority and low-income populations. In January, 2004, some of Louisiana Family Council clients were invited as panelists at the State's "Getting Married - How Low-Income Parents View Marriage" national symposium and the Louisiana Family Council staff travel with the Administration for Children and Families conducting workshops for the Healthy Marriage and African American Healthy Marriage Initiatives.

Also, Louisiana Family Council has been involved in numerous local, state, regional and national workshops including the National Partnership for Community Leadership's International Fatherhood Conference and its Public Conversation Series, the Annual Great Expectations, and the Louisiana Department of Social Services, Office of Community Support's Responsible Fatherhood Conferences, but to be named co-sponsor of the Fatherhood Empowerment Conference held in June, 2004 was a special privilege and represents its greatest involvement in workshops thus far.

Louisiana Family Council, Inc. may be a new nonprofit organization in the *State of Louisiana that has accomplished much during the fifteen months* ended December 31, 2003 but there is still so much work to do. The Organization looks forward to being involved in the Louisiana communities for many years to come.

SUPPLEMENTARY INFORMATION RELATED TO FEDERAL AWARDS
Required by *Government Auditing Standards* and OMB Circular A-133,
Audits of States, Local Governments, and Non-Profit Organizations

DELPHINE A. CUPPAY
CERTIFIED PUBLIC ACCOUNTANT
68233 Donya Street
Slidell, LA 70460
Phone/FAX (985) 781-4931

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

Board of Directors
Louisiana Family Council, Inc.
New Orleans, LA 70125

I have audited the financial statements of Louisiana Family Council, Inc., (a nonprofit organization), as of and for the fifteen months ended December 31, 2003, and have issued my report thereon dated June 30, 2004. I conducted my 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.

Compliance

As part of obtaining reasonable assurance about whether Louisiana Family Council, Inc.'s financial statements are free of material misstatement, I 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedules of findings and questioned costs as item 2003-2.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Louisiana Family Council, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Louisiana Family Council, Inc.'s 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 2003-1.

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. My 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, of the reportable conditions described above, I consider item 2003-1 and 2003-2 to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization and 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Delphine A. Cuppay, CPA

Delphine A. Cuppay, CPA
Slidell, Louisiana

June 30, 2004

DELPHINE A. CUPPAY
CERTIFIED PUBLIC ACCOUNTANT
60233 Donya Street
Slidell, LA 70460
Phone/FAX (985) 781-4931

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Louisiana Family Council, Inc.
New Orleans, LA 70125

<u>Compliance</u>

I have audited the compliance of Louisiana Family Council, 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 fifteen months ended December 31, 2003. Louisiana Family Council, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Louisiana Family Council, Inc.'s management. My responsibility is to express an opinion on Louisiana Family Council, Inc.'s compliance based on my audit.

I conducted my 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 I 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 Louisiana Family Council, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Louisiana Family Council, Inc.'s compliance with those requirements.

As described in item 2003-3, 2003-5, and 2002-7 in the accompanying schedule of findings and questioned costs, Louisiana Family Council, Inc. did not comply with requirements regarding Allowable Costs/Cost Principles that are applicable to its U. S. Department of Health and Human Services, Temporary Assistance for Needy Families (TANF). Compliance with such requirements is necessary, in my opinion, for Louisiana Family Council, Inc. to comply with requirements applicable to that program and as described in item 2003-4, 2003-6 and 2003-8 in the accompanying schedule of findings and questioned costs, Louisiana Family Council, Inc. did not comply with requirements regarding payroll withholding tax laws in the form of late filing of quarterly employer payroll reports and the late payment of payroll withholding taxes.

In my opinion, except for the noncompliance described in the preceding paragraph, Louisiana Family Council, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fifteen months ended December 31, 2003.

Internal Control Over Compliance

The management of Louisiana Family Council, 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 my audit, I considered Louisiana Family Council, 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 my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect Louisiana Family Council, Inc's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2003-3, 2003-4, 2003-5, 2003-6, 2003-7 and 2003-8.

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. My considerations of the internal control over compliance 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, of the reportable conditions described above, I consider items 2003-3, 2003-4, 2003-5, 2003-6, 2003-7 and 2003-8 to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization and 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Delphine A. Cuppay, CPA

Delphine A. Cuppay, CPA
Slidell, Louisiana

June 30, 2004

LOUISIANA FAMILY COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2003

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. Department of Health and Human Services: In connection with the Temporary Assistance For Needy Families-TANF Parenting/Fatherhood Initiative			
Pass-through grantor -			
State of Louisiana,		CFMS#590476	
Department of Social Services	93.558		$221,652
Office of Family Support			
In re: Orleans & Ouachita Parishes, LA			
U. S. Department of Health and Human Services: In connection with the Temporary Assistance For Needy Families-TANF Parenting/Fatherhood Initiative			
Pass-through grantor -			
State of Louisiana,		CFMS#590271	
Department of Social Services	93.558		64,419
Office of Family Support			
In re: Rapides Parish, LA			
U. S. Department of Health and Human Services: In connection with the Temporary Assistance For Needy Families-TANF Marriage Initiative			
Pass-through grantor -			
State of Louisiana,		CFMS#590428	
Department of Social Services	93.558		106,512
Office of Family Support			
In re: Caddo Parish, LA			

See accompanying notes to schedule of expenditures of federal awards.

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. Department of Health and Human Services: In connection with the Temporary Assistance For Needy Families-TANF Teen Pregnancy Prevention Initiative			
Pass-through grantor - State of Louisiana, *Department of Social Services* Office of Family Support	93.558	CFMS#604080	41,249
U. S. Department of Health and Human Services: In connection with the Temporary Assistance For Needy Families-TANF Block Grant			
Pass-through grantor - *State of Louisiana,* Department of Social Services Office of Family Support In re: Access & Visitation Grant regarding Child Support Enforcement & involvement of non-custodial parents In their children's lives for Baton Rouge, Shreveport, New Orleans & Jefferson *Parish areas*	93.563	*CFMS#605013*	17,493
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$451,325**

See accompanying notes to schedule of expenditures of federal awards.

LOUSIANA FAMILY COUNCIL, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2003

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Louisiana Family Council, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

In accordance with Section 230(b)2 of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," as a non-Federal entity, Louisiana Family Council, Inc. has not charged its audit costs to any of the Federal awards received. All audit costs were charged to its board of director management activities.

LOUISIANA FAMILY COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2003

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Louisiana Family Council, Inc.

2. Two reportable conditions disclosed during the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and they are reported as material weaknesses.

3. An instance of noncompliance material to the financial statements of Louisiana Family Council, Inc. is reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards.*

4. Reportable conditions 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 on Internal Control Over Compliance in Accordance with OMB Circular A-133. The conditions are reported as material weaknesses.

5. Audit findings that are required to be reported in accordance with OMB Circular A-133 are reported in this Schedule.

6. The programs tested as major programs included:

Name of Federal Program or Cluster	CFDA Number
U. S. Department of Health & Human Services, Temporary Assistance for Needy Families (TANF) In connection with the TANF Initiatives: Parenting/Fatherhood, Focus on Kids, Family Strengthening/Healthy Marriages, and Teen Pregnancy Prevention	93.558

Name of Federal Program or Cluster	CFDA Number
U. S. Department of Health & Human Services, Child Support Enforcement In connection with the Access and Visitation Program	93.563

7. A threshold of $300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133. No programs met the threshold, however contracts with the State of Louisiana require the audit be performed in accordance with OMB Circular A-133 procedures as Louisiana Family Council, Inc. is a sub-recipient of the State of Louisiana's major programs receiving federal awards.

FINDINGS - FINANCIAL STATEMENTS AUDIT

Reportable conditions

2003-1 The Size of Organization's Accounting and Administrative Staff Precludes an Effective Segregation of Duties With Regard to General Accounting Functions.

Conditions: During the year a failure in internal control developed involving the segregation of duties with regard to general accounting functions due to the small size of the organization's accounting and administrative staff.

Criteria: Internal controls should be in place that provide reasonable assurance that there is segregation of duties with regard to approval for transactions, recordation of transactions, supervision and review of financial information.

Effect: Because of failure to require approval from the proper level of management and/or failure to subsequently review financial information in a timely fashion, transactions could be effected without the approval or knowledge of management.

Recommendation: This situation dictates that the Board of Directors should diversify their involvement in the financial affairs of the organization to provide oversight and independent review functions. A Board Member could be designated to review expenditures prior to payment. Another Board Member could be designated to receive, open and review the bank statements each month prior to forwarding them for bank reconciliation purposes. Also monthly financial reports should be reviewed and/or discussed at Board meetings for effective management purposes.

2003-2 Noncompliance with withholding tax laws in the form of late filing of quarterly employer payroll reports and the late payment of payroll withholding taxes is considered a major noncompliance issue.

Conditions: During the year a failure in internal control developed involving the payroll taxes withheld from the various employees pay checks. At the beginning of its operations, Louisiana Family Council, Inc. hired an outside payroll service to process its payroll, prepare the required quarterly payroll reports and remit the proper amounts of payroll taxes withheld to the various governmental agencies in a timely fashion. After about six months of operations, the Organization cancelled the outside payroll service and hired an outside accountant to provide monthly accounting services. As part of that service, the accountant was not only supposed to prepare the payroll for each pay period but was also supposed to be managing the payroll requirements and advising Management accordingly by preparing the payroll tax deposit coupon so that the Organization could remit the Form 941 payroll withholding taxes. At the end of each quarter, the accountant was supposed to prepare the quarterly payroll tax reports for filing. It was a matter of months before Management realized payroll tax deposits were not being made and when it came time to file the quarterly payroll reports, there was a big tax bill due. After a few months, Management began receiving delinquent payroll tax notices. The end result was that Management then hired another accountant to resolve the issue of delinquent payroll tax deposits and the related quarterly payroll report filings but the damage had already been done. As of December 31, 2003, the Organization filed the necessary quarterly payroll tax reports and remitted the taxes due to the state governmental agencies and a substantial part of the federal payroll taxes due for the First, Second and Third Quarters, 2003. The Fourth Quarter, 2003 payroll reports were timely filed and the necessary quarterly payroll tax deposits were timely made.

Criteria: The Internal Revenue Service requires that all federal payroll withholding taxes and employer's matching portion be deposited no later than three working days after the date of issuance of employee's pay checks if the taxpayer has accumulated more than $2,500 in payroll tax liability per quarter. Louisiana Family Council, Inc. has considerable payroll each pay period, and according to the Internal Revenue Code, is required to make deposits for each of its pay periods within the three day time period. Internal controls should be in place that provide reasonable assurance that there is segregation of duties with regard to approval for transactions, recordation of transactions, supervision and review of financial information so that the required payroll withholding tax deposits are timely made and the quarterly payroll reports are timely filed accordingly.

Effect: Because of failure to review financial information in a timely fashion, transactions could be effected without the approval or knowledge of management in the form of penalties and interest on any undeposited payroll withholding taxes and late filing penalties could be incurred for not being in compliance with the filing requirements of various governmental agencies.

Recommendation: The size of the Organization's accounting and administrative staff necessitates involvement in the financial affairs of the organization by the Board of Directors to provide oversight and independent review functions. As part of the monthly financial reports, since payroll is the largest expense of the Organization, the Board of Directors could also review a monthly schedule of payroll expenses and inquire if the necessary payroll tax deposits have been made. At the end of each payroll quarter, they could ask to review the payroll reports accordingly. Such requests by the Board would serve as a timely reminder of these necessary requirements. In the alternative, an outside accountant could be hired to review the day to day transactions, including payroll transactions and ascertain if Management is making payroll deposits timely and prepare the quarterly payroll reports for filing.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES:

Pass through entity - Louisiana Department of Social Services, Office of Family Support

2003-3 Temporary Assistance for Needy Families (TANF)--CFDA 93.558;

Grant No. CFMS#590476; Grant period--Year ended September 30, 2003

Reportable Condition: As discussed at Finding 2003-1, the size of the Organization's accounting and administrative staff precluded an effective segregation of duties with regard to general accounting functions and with regard to major federal award programs particularly in connection with compliance with Allowable Costs/Cost Principles requirements.

Conditions: Since this was their initial period of operation, even though the administrative staff (consisting of those who had founded the nonprofit organization) received training, they lacked hands-on experience in handling the Allowable Costs/Cost Principles compliance requirements effectively and, to make matters worse, their accounting personnel had little or no training in nonprofit cost reimbursement accounting and billing procedures to be in compliance with their major federal awards. The result was that the program was up and running in accordance with their contract provisions; however, many items they submitted for cost reimbursement were disallowed and the Organization was eventually scheduled for a Contract Accountability Review Team known as a CART review. During the review, it was discovered that the Organization had been reimbursed for items deemed to be questioned costs and for certain double-billing errors. The Organization was given the option of either returning the funds or foregoing reimbursement of allowable costs until the disallowed amount had been met. The Organization opted to forego reimbursement, satisfied its repayment obligation and once again received cost reimbursements, all within the short time before the grant contract expired. Since the CART review, the administrative staff now has a better grasp of Allowable Costs/Cost Principles compliance requirements and the Organization's cost reimbursement requests are being processed more effectively and efficiently, reducing the turnaround time from billing to receipt of cost reimbursement from grantors.

Criteria: Internal controls should be in place that provide reasonable assurance that there is segregation of duties with regard to approval for transactions, recordation of transactions, supervision and review of financial information not just on the accounting level but also on the compliance level with Allowable Costs/Cost Principles requirements regarding such issues as what is an allowable cost, what is adequate documentation thereof, the reporting of the cost for reimbursement in the proper time period and is it within budget parameters.

Effect: Because of failure to require approval from the proper level of management and/or failure to subsequently review financial information in a timely fashion, transactions could be effected without the approval or knowledge of management and cost reimbursement items could be disallowed.

Recommendation: As discussed at Finding 2003-1, this situation dictates that the Board of Directors should diversify their involvement in the financial affairs of the organization to provide oversight and independent review functions. In addition to the recommendations made at Finding 2003-1, Board members should attend training seminars together with accounting and administrative staff so that effective review procedures can be initiated and any changes in procedures can be implemented accordingly. Monthly financial reports comparing actual to budget figures should be reviewed and/or discussed at Board meetings for effective management purposes.

2003-4 Temporary Assistance for Needy Families (TANF)--CFDA 93.558; Grant No. CFMS#590476; Grant period--Year ended September 30, 2003

Reportable Condition: As discussed at Finding 2003-2, noncompliance with withholding tax laws in the form of late filing of quarterly employer payroll reports and the late payment of payroll withholding taxes is considered a major noncompliance issue. The same conditions, criteria, effect and recommendations made at Finding 2003-2 apply here as if made verbatim.

2003-5 Temporary Assistance for Needy Families (TANF)--CFDA 93.558; Grant No. CFMS#590271; Grant period--Year ended September 30, 2003

Reportable Condition: As discussed at Finding 2003-3, the size of the Organization's accounting and administrative staff precluded an effective segregation of duties with regard to general accounting functions and with regard to major federal award programs. The same conditions, criteria, effect and recommendations made at Finding 2003-3 apply here as if made verbatim.

2003-6 Temporary Assistance for Needy Families (TANF)--CFDA 93.558; Grant No. CFMS#590271; Grant period--Year ended September 30, 2003

Reportable Condition: As discussed at Finding 2003-2, noncompliance with withholding tax laws in the form of late filing of quarterly employer payroll reports and the late payment of payroll withholding taxes is considered a major noncompliance issue. The same conditions, criteria, effect and recommendations made at Finding 2003-2 apply here as if made verbatim.

2003-7 Temporary Assistance for Needy Families (TANF)--CFDA 93.558; Grant No. CFMS#590428; Grant period--Year ended September 30, 2003

Reportable Condition: As discussed at Finding 2003-3, the size of the Organization's accounting and administrative staff precluded an effective segregation of duties with regard to general accounting functions and with regard to major federal award programs. The same conditions, criteria, effect and recommendations made at Finding 2003-3 apply here as if made verbatim.

2003-8 Temporary Assistance for Needy Families (TANF)--CFDA 93.558; Grant No. CFMS#590271; Grant period--Year ended September 30, 2003

Reportable Condition: As discussed at Finding 2003-2, noncompliance with withholding tax laws in the form of late filing of quarterly employer payroll reports and the late payment of payroll withholding taxes is considered a major noncompliance issue. The same conditions, criteria, effect and recommendations made at Finding 2003-2 apply here as if made verbatim.

LOUISIANA FAMILY COUNCIL, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2003

SECTION I - FINDINGS - FINANCIAL STATEMENTS AUDIT

No findings have been reported since this is Louisiana Family Council, Inc.'s initial audit and there has been no prior year audit for this entity.

SECTION II - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings have been reported since this is Louisiana Family Council, Inc.'s initial audit and there has been no prior year audit for this entity.

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LOUISIANA FAMILY COUNCIL, INC.
4722 EARHARD BOULEVARD
NEW ORLEANS, LA 70125
Phone 504-821-5493

CORRECTIVE ACTION PLAN

June 30, 2004

Legislative Auditor
State of Louisiana
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

Louisiana Family Council, Inc. respectfully submits the following corrective action plan for the fifteen months ended December 31, 2003.

Name and address of independent public accounting firm:

Delphine A. Cuppay, CPA, 60233 Donya Street, Slidell, LA 70460

Audit period: January 1, 2003 through December 31, 2003

The findings from the June 30, 2004 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENT AUDIT
2003-1 The Size of Organization's Accounting and Administrative Staff Precludes and Effective Segregation of Duties With Regard to General Accounting Functions

Recommendation: This situation dictates that the Board of Directors should diversify their involvement in the financial affairs of the organization to provide oversight and independent review functions. A Board member could be designated to review expenditures prior to payment. Another Board member could be designated to receive, open and review the bank statements each month prior to forwarding them for bank reconciliation purposes. Also monthly financial reports should be reviewed and/or discussed at Board meetings for effective management purposes.

Action Taken: The Board of Directors agreed to diversify their involvement in the financial affairs of the organization to provide oversight and independent review functions. A Board member was designated to review expenditures prior to payment. Another Board member was designated to receive, open and review the bank statements each month prior to forwarding them for bank reconciliation purposes. Also the monthly financial reports will be reviewed and/or discussed at Board meetings for effective management purposes. The Board decided to hire an outside accountant to set up a non-profit general ledger accounting program to help effectively allocate costs and manage grant requirements as well as reconcile the monthly bank statements, review general ledger postings and prepare monthly financial statements portraying the overall financial position of Louisiana Family Council, Inc. as an organization and the statement of activities.

2003-2 Noncompliance with withholding tax laws in the form of late filing of quarterly employer payroll reports and the late payment of payroll withholding taxes is considered a major noncompliance issue.

Recommendation: The size of the Organization's accounting and administrative staff necessitates involvement in the financial affairs of the organization by the Board of Directors to provide oversight and independent review functions. As part of the monthly financial reports, since payroll is the largest expense of the Organization, the Board of Directors could also review a monthly schedule of payroll expenses and inquire if the necessary payroll tax deposits have been made. At the end of each payroll quarter, they could review the payroll reports accordingly. Such requests by the Board would serve as a timely reminder of necessary requirements. In the alternative, an outside accountant could be hired to review the day to day transactions, including payroll transactions, and ascertain if Management is making payroll deposits timely. In the alternative, an outside accountant could be hired to review the day to day transactions, including payroll transactions, ascertain if Management is making payroll deposits timely and prepare the quarterly payroll reports for filing.

Action Taken: Besides reviewing monthly financial reports, the Board of Directors they will also review payroll expenses and inquire if the necessary payroll tax deposits have been made. The outside accountant the Board decided to be hire will not only review the day to day transactions but will be requested to prepare the quarterly payroll reports or, at least, review them and ascertain if Management is making payroll deposits timely as review measure to insure compliance with payroll withholding tax laws.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

2003-3 Temporary Assistance for Needy Families (TANF)–CFDA 93.558; Grant No. CFMS#590476; Grant period–Year ended September 30, 2003

As discussed at Finding 2003-1, the size of the Organization's accounting and administrative staff precluded an effective segregation of duties with regard to general accounting functions and with regard to major federal award programs. Since this was their first period of operation, even though the administrative staff (consisting of those who had founded the nonprofit organization) received training, they lacked hands-on experience in handling the Allowable Costs/Cost Principles compliance requirements effectively and, to make matters worse, their accounting personnel had little or no training in nonprofit cost reimbursement accounting and billing procedures to be in compliance with their major federal awards. The result was that the program was up and running in accordance with their contract provisions; however, many items they submitted for cost reimbursement were disallowed and the Organization was eventually scheduled for a Contract Accountability Review Team known as a CART review. During the review, it was discovered that the Organization had been reimbursed for items deemed to be questioned costs and for certain double-billing errors. The Organization was given the option of either returning the funds or forego reimbursement of allowable costs until the disallowed amount had been met. The Organization opted to forego reimbursement, satisfied its repayment obligations and once again received cost reimbursements, all within the short time before the grant contract expired. Since the CART review, the administrative staff now has a better grasp of Allowable Costs/Cost Principles compliance requirements and the Organization's cost reimbursement requests are being processed more effectively and efficiently, reducing the turnaround time from billing to receipt of cost reimbursement from grantors.

Recommendation: As discussed at Finding 2003-1, this situation dictates that the Board of Directors should diversify their involvement in the financial affairs of the organization to provide oversight and independent review functions. In addition to the recommendations made at Finding 2003-1, Board members should attend training seminars together with accounting and administrative staff so that effective review procedures can be initiated and any changes in procedures can be implemented accordingly. Monthly financial reports comparing actual to budget figures should be reviewed and/or discussed at Board meetings for effective management purposes.

Action Taken: The action taken response made at Finding Finding 2003-1 applies here as if made verbatim. In addition, monthly financial reports comparing actual to budget figures will be reviewed and/or discussed at Board meetings for effective management purposes and Board Members plan to attend training seminars.

2003-4 Temporary Assistance for Needy Families (TANF)--CFDA 93.558; Grant No. CFMS#590476; Grant period--Year ended September 30, 2003

As discussed at Finding 2003-2, noncompliance with withholding tax laws in the form of late filing of quarterly employer payroll reports and the late payment of payroll withholding taxes is considered a major noncompliance issue.

Recommendation: The same recommendations made at Finding 2003-2 apply here as if made verbatim.

Action Taken: The action taken response made at Finding 2003-2 applies here as if made verbatim.

2003-5 Temporary Assistance for Needy Families (TANF)--CFDA 93.558; Grant No. CFMS#590271; Grant period--Year ended September 30, 2003

As discussed at Finding 2003-3, the size of the Organization's accounting and administrative staff precluded an effective segregation of duties with regard to general accounting functions and with regard to major federal award programs. The same conditions discussed at Finding 2003-3 apply here as if made verbatim.

Recommendation: The same recommendations made at Finding 2003-3 apply here as if made verbatim.

Action Taken: The action taken response made at Finding 2003-3 applies here as if made verbatim.

2003-6 Temporary Assistance for Needy Families (TANF)--CFDA 93.558; Grant No. CFMS#590271; Grant period--Year ended September 30, 2003

As discussed at Finding 2003-2, noncompliance with withholding tax laws in the form of late filing of quarterly employer payroll reports and the late payment of payroll withholding taxes is considered a major noncompliance issue.

Recommendation: The same recommendations made at Finding 2003-2 apply here as if made verbatim.

Action Taken: The action taken response made at Finding 2003-2 applies here as if made verbatim.

2003-7 Temporary Assistance for Needy Families (TANF)--CFDA 93.558; Grant No. CFMS#590428; Grant period--Year ended September 30, 2003

As discussed at Finding 2003-3, the size of the Organization's accounting and administrative staff precluded an effective segregation of duties with regard to general accounting functions and with regard to major federal award programs. The same conditions discussed at Finding 2003-3 apply here as if made verbatim.

Recommendation: The same recommendations made at Finding 2003-3 apply here as if made verbatim.

Action Taken: The action taken response made at Finding 2003-3 applies here as if made verbatim

2003-8 Temporary Assistance for Needy Families (TANF)--CFDA 93.558; Grant No. CFMS#590271; Grant period--Year ended September 30, 2003

As discussed at Finding 2003-2, noncompliance with withholding tax laws in the form of late filing of quarterly employer payroll reports and the late payment of payroll withholding taxes is considered a major noncompliance issue.

Recommendation: The same recommendations made at Finding 2003-2 apply here as if made verbatim.

Action Taken: The action taken response made at Finding 2003-2 applies here as if made verbatim.

If there are any questions regarding this plan, please call 504-821-5493.

Sincerely yours,

Print Name: Dianell Tate
Title: President
Louisiana Family Council, Inc.