

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

Year Ended June 30, 2004

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 2-9-05

Contents

Independent Auditors' Report.....	2
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes of Financial Statements.....	7-10
Report on Compliance and on Internal Control Over Financial Reporting Based on Audit of Financial Statements Performed in Accordance With <i>Governmental Auditing Standards</i>	11-12
Schedule of Findings and Questioned Costs.....	13
Management Letter.....	14-15
Schedule of Prior Years Findings.....	16
Management's Corrective Action Plan.....	17

McMullen and Mancuso
Certified Public Accountants, LLC
P.O. Box 202

Lisa F. McMullen, CPA
Pamela C. Mancuso, CPA

3600 Maplewood Drive
Sulphur, Louisiana 70663

Telephone (337) 625-5054
Fax (337) 625-5849

INDEPENDENT AUDITORS' REPORT

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

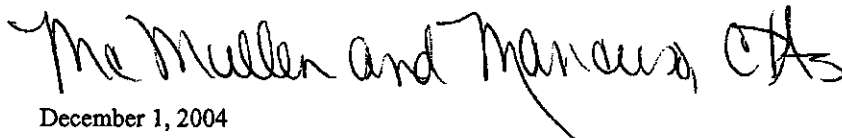
We have audited the accompanying statement of financial position of Families Helping Families of Southwest Louisiana, Inc. (a non-profit organization) as of June 30, 2004 and 2003, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Families Helping Families of Southwest Louisiana, Inc. as of June 30, 2004 and 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 December 1, 2004, on our consideration of Families Helping Families of Southwest Louisiana, Inc.'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.

McMullen and Mancuso, CPAs


December 1, 2004

Members
American Institute of Certified Public Accountants
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Families Helping Families of Southwest Louisiana, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 2004

ASSETS

	2004	2003
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,717	\$ 12,707
Grants receivable	63,792	36,495
Total current assets	<u>67,509</u>	<u>49,202</u>
FIXED ASSETS (Note A-4)		
Furniture, fixtures and equipment	45,499	42,121
Library	6,676	6,676
Building	67,728	67,728
Building improvements	3,615	3,615
Less accumulated depreciation	(43,293)	(44,056)
Total fixed assets	<u>80,225</u>	<u>76,084</u>
OTHER ASSETS		
Deposits	350	350
Prepaid rent	-	500
Prepaid insurance	876	790
Total other assets	<u>1,226</u>	<u>1,640</u>
Total Assets	<u>\$ 148,960</u>	<u>\$ 126,926</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 3,568	\$ 298
Credit card payable	1,161	9,791
Payroll taxes payable	5,617	3,257
Line of credit	5,885	27,530
Capital lease payable (Note F)	1,305	-
Note payable - Bank One (Note C)	5,846	5,493
Total current liabilities	<u>23,382</u>	<u>46,369</u>
LONG - TERM LIABILITIES		
Capital lease payable (Note F)	3,528	-
Note payable - Bank One (Note C)	23,948	29,795
Total long - term liabilities	<u>27,476</u>	<u>29,795</u>
Total Liabilities	50,858	76,164
NET ASSETS		
Temporarily restricted	-	-
Unrestricted	98,102	50,762
Total net assets	<u>98,102</u>	<u>50,762</u>
Total Liabilities and Net Assets	<u>\$ 148,960</u>	<u>\$ 126,926</u>

The accompanying notes are an integral part of these statements.

Families Helping Families of Southwest Louisiana, Inc.

STATEMENT OF ACTIVITIES

Year ended June 30, 2004
with comparative totals for 2003

	2004			2003
	TEMPORARILY			TOTAL
	UNRESTRICTED	RESTRICTED	TOTAL	
PUBLIC SUPPORT AND REVENUES				
Government grants	\$ -	\$ 362,396	\$ 362,396	\$ 175,366
Contributions	3,417	3,000	6,417	9,047
Fund-raising	10,412	-	10,412	5,940
Interest income	29	-	29	-
Miscellaneous income	17	-	17	-
Net assets released from restrictions:	365,396	(365,396)	-	-
Total public support and revenues	<u>379,271</u>	<u>-</u>	<u>379,271</u>	<u>190,353</u>
EXPENSES				
Program service	279,209	-	279,209	144,425
Management and general	50,273	-	50,273	14,154
Fund-raising	2,449	-	2,449	1,390
Total expenses	<u>331,931</u>	<u>-</u>	<u>331,931</u>	<u>159,969</u>
CHANGE IN NET ASSETS	47,340	-	47,340	30,384
NET ASSETS AT BEGINNING OF YEAR	<u>50,762</u>	<u>-</u>	<u>50,762</u>	<u>20,378</u>
NET ASSETS AT END OF YEAR	<u>\$ 98,102</u>	<u>\$ -</u>	<u>\$ 98,102</u>	<u>\$ 50,762</u>

The accompanying notes are an integral part of these statements.

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

Statement of Functional Expenses
For the Year Ended June 30, 2004

	Program Services		Supporting Services		Total	Total
			Management and		Services	Services
			General	Fundraising	2004	2003
Advertising and Promotion	\$ 2,097	\$ 233	\$ -	\$ 2,330	1,908	
Bank Service Charges	-	135	-	135	315	
Books and Subscriptions	4,130	-	-	4,130	-	
Client/Project Services	3,619	-	-	3,619	8,546	
Conferences and Forums	17,761	-	-	17,761	-	
Equip Rental and Maintenance	2,560	285	-	2,845	716	
Fundraising	-	-	2,449	2,449	1,390	
Insurance	4,280	476	-	4,756	1,114	
Interest	4,063	451	-	4,514	4,522	
Membership Dues	460	51	-	511	454	
Miscellaneous	469	257	-	726	630	
Office Expense and Supplies	11,751	3,412	-	15,163	6,784	
Postage and Shipping	5,814	646	-	6,460	3,179	
Printing and Publications	7,624	-	-	7,624	6,956	
Professional Fees	5,665	629	-	6,294	750	
Rent	4,950	550	-	5,500	-	
Repairs and Maintenance	1,205	134	-	1,339	4,462	
Salaries and Wages	134,225	35,800	-	170,025	82,179	
Stipends	7,860	-	-	7,860	2,452	
Taxes and Licenses	10,597	2,804	-	13,401	8,123	
Telephone	14,624	1,624	-	16,248	8,201	
Travel and Transportation	24,059	1,520	-	25,579	7,933	
Utilities	4,759	529	-	5,288	3,058	
Total Functional Expenses						
Before Depreciation	272,572	49,536	2,449	324,557	153,672	
Depreciation Expense	6,637	737	-	7,374	6,297	
Total Functional Expenses	\$ 279,209	\$ 50,273	\$ 2,449	\$ 331,931	\$ 159,969	

The accompanying notes are an integral part of these statements.

Families Helping Families of Southwest Louisiana, Inc.

STATEMENT OF CASH FLOWS

Year ended June 30, 2004
with comparative totals for 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from grantors	\$ 335,099	\$ 147,223
Receipts from contributors and others	16,846	14,987
Interest received	29	-
Payments to employees	(170,025)	(82,179)
Payments to suppliers and others	(152,604)	(55,588)
Interest payments	<u>(4,514)</u>	<u>(4,522)</u>
Net cash provided (used) by operating activities	24,831	19,921
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	<u>(11,515)</u>	<u>(12,932)</u>
Net cash used by investing activities	(11,515)	(12,932)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan proceeds for copier	5,206	-
Line of credit payments	(21,645)	-
Line of credit proceeds	-	10,038
Capital lease payment for copier	(373)	-
Mortgage payments for office building	<u>(5,494)</u>	<u>(4,941)</u>
Net cash provided by financing activities	(22,306)	5,097
Net increase in cash and cash equivalents	(8,990)	12,086
Cash and cash equivalents, beginning of year	<u>12,707</u>	<u>621</u>
Cash and cash equivalents, end of year	<u>\$ 3,717</u>	<u>\$ 12,707</u>

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Change in net assets	\$ 47,340	\$ 30,384
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,374	6,297
Net (increase) decrease in:		
Grants receivable	(27,297)	(28,144)
Prepaid expenses	414	(1,291)
Deposits	-	(250)
Net increase (decrease) in:		
Accounts and credit card payable	(5,360)	10,089
Garnishment and payroll taxes payable	2,360	2,786
Loss on disposal of assets	-	50
Net cash provided (used) by operating activities	<u>\$ 24,831</u>	<u>\$ 19,921</u>

The accompanying notes are an integral part of these statements.

Families Helping Families of Southwest Louisiana, Inc

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

NOTE A –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Families Helping Families of Southwest Louisiana, Inc. have been prepared on the accrual basis and in conformity with the standards promulgated by the American Institute of Certified Public Accountants in its audit guide for voluntary health and welfare organizations.

1. Organization and Purpose

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

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

2. 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 Organization 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.

3. Cash and Cash Equivalent

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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

NOTE A –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Fixed Assets

Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions 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 contributions. 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. No restrictions have been placed on assets donated to the agency. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Depreciation expense for the year ended June 30, 2004, is \$7,374.

The useful lives of fixed assets for purposes of computing depreciation are:

Furniture, fixtures, and equipment	5 – 10 Years
Buildings	40 Years
Improvements	20 Years
Library	5 Years

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations. The Agency follows the practice of capitalizing all expenditures for all property and equipment in excess of \$250.

5. Income Tax Status

The Agency is a not for profit organization that is exempt from income tax under Section 501 (c)(3) of the Internal Revenue Code and comparable state law. In addition, the Agency has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the code. Therefore, no provision has been made for federal or state income taxes in the accompanying financial statements.

6. Contributed Services

During the year ended June 30, 2004, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assists the Agency, but these services do not meet the criteria for recognition as contributed services.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

NOTE A –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's 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.

8. Contributions

The Agency has also adopted SFAS No. 116, *Account for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

9. Concentration of Revenue and Support

The Agency receives funding primarily from grants from the State of Louisiana Department of Health and Hospitals, State Department of Education, and State Department of Social Services. If funding from these Departments were no longer available to the Agency, the operations of the Agency could be adversely impacted.

NOTE B – RETIREMENT BENEFITS

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

NOTE C-- NOTE PAYABLE

The Agency has a mortgage payable to Bank One for the purchase of the office facilities. The note is payable in eighty four (84) monthly installments of \$667, including interest at 7.956%. Final payment is due December 5, 2008. The loan is secured by the real estate.

Future scheduled maturities of long-term debt are as follows:

<u>Year Ending June 30</u>	
2005	\$ 5,846
2006	6,329
2007	6,851
2008	7,416
2009	\$ 3,352
	<u>29,794</u>

Families Helping Families of Southwest Louisiana, Inc.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

NOTE D – COMPENSATED ABESENCES

Employees of Families Helping Families of Southwest Louisiana, Inc. are entitled to paid vacation, paid sick days, and personal days off depending on job classification, length of service and other factors. The value of these compensated absences was not recorded due to their immateriality. The Agency's policy is to recognize the costs of those compensated absences when actually paid to employees.

NOTE E – ALLOCATION OF PROGRAM VS. SUPPORT EXPENSES

Expenses were allocated in the accompanying financial statements to program and support services functional expense groups. An allocation of the operating expenses of the Agency has been made on the basis of Board policy and management's estimate of 10% support and 90% program. Costs relating directly to the mission of the Agency are allocated as 100% program and expenditures for support matters and direct fund-raising costs are considered 100% support.

NOTE F- LEASES

On May 6, 2004, the Agency entered into a three year capital lease agreement for its copier from Marlin Leasing. The total cost recorded for the copier is \$5,206. The minimum monthly lease payment is \$173, exclusive of taxes and interest.

Future minimum payments by year as of June 30, 2004, are as follows:

<u>Year Ending</u>	<u>Copier Lease</u>
June 30, 2005	\$ 1,304
June 30, 2006	1,745
June 30, 2007	<u>1,783</u>
	\$ <u>4,832</u>

On July 2, 2003, the Agency entered into a one year lease for a building in DeRidder, Louisiana, to operate the SPOE office for \$500 per month. The lease is cancelable with thirty (30) days written notice. Lease expense was \$5,500 at June 30, 2004.

NOTE G – COMMITMENTS AND CONTINGENCIES

In 2001, the Agency entered into an agreement with Up 4 Downs, a local support group. The Agency handled the finances from the annual Buddy Walk fundraisers, in exchange for a portion of the proceeds from the events. The amount has not been determined, and therefore, no liability has been recorded in the financial statements.

McMullen and Mancuso
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P.O. Box 202

Lisa F. McMullen, CPA
Pamela C. Mancuso, CPA

3600 Maplewood Drive
Sulphur, Louisiana 70663

Telephone (337) 625-5054
Fax (337) 625-5849

**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
Families Helping Families of
Southwest Louisiana, Inc.
Lake Charles, Louisiana

We have audited the financial statements of Families Helping Families of Southwest Louisiana (a nonprofit corporation) as of and for the two years ended June 30, 2004, and have issued our report thereon dated December 1, 2004. We conducted our audit in accordance with generally accepted auditing standards, and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Families Helping Families of Southwest Louisiana, 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 is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Families Helping Families of Southwest Louisiana, 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 general purpose 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.

Members

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This report is intended for the information and use of management; others within the Agency, the Agency's Board of Directors and the Legislative Auditor and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

McMullen and Mancuso, CPAs

McMullen and Mancuso CPAs

December 1, 2004

FAMILIES HELPING FAMILIES OF SOUTHWEST LOUISIANA, INC.
Lake Charles, Louisiana

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

A. Summary of Independent Auditors' Results:

1. Unqualified opinion on financial statements.
2. No instances of noncompliance required to be reported.
3. No matters involving internal control considered to be material weaknesses.
4. Management Letter was issued.

McMullen and Mancuso
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Pamela C. Mancuso, CPA

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Sulphur, Louisiana 70663

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Fax (337) 625-5849

MANAGEMENT LETTER

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

We have audited the financial statements of Families Helping Families of Southwest Louisiana, Inc. for the years ended June 30, 2004 and 2003, and have issued our report thereon dated December 1, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of our examination, we have issued our report on the financial statements, dated December 1, 2004, and our report on internal control and compliance with laws, regulations, and contracts, dated December 1, 2004.

During the course of our examination, we became aware of the following matters which represent immaterial deviations of compliance or suggestions for improved internal controls.

Suggestion 2004-1. Our review of the Agency's procedures indicated that there is a lack of control in the receiving, depositing, and recording of cash receipts. To provide effective control it would be necessary to separate each of these duties, as well as the reconciling of the bank accounts, whereas at the present time the bookkeeper's duties include all of these functions to some degree. Since it would not be practicable to separate each of these duties because of the size of the Agency, it would appear advisable to at least set up some form of control on cash receipts, such as a list of remittances received to be prepared at the time the mail is opened, and the use of either prenumbered receipts or cash registers by all employees receiving cash.

Suggestion 2004-2. We noted the Agency has no fidelity bond covering employees handling cash (either its receipts or disbursements) or holding positions of trust. In general, internal controls are designed to safeguard assets and help prevent losses from employee dishonesty. However, the cost of maintaining internal controls sufficient to prevent all such losses would be prohibitive. Accordingly, insurance, such as fidelity bonds, may be a practical, relatively inexpensive supplement to internal control. The following types of coverage are available:

- Schedule bond - used where the employer needs to cover only certain named employees.
- Blanket bond - covers all employees, including automatic coverage for new employees.
- Position bond - covers specific positions rather than certain named employees.

We believe that this type of protection is particularly desirable safeguard against loss through theft or misappropriation, and we recommend that it be considered.


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Suggestion 2004-3. During the course of the audit, we tested grant receipts and noted that the June 2004 billing for the DDC Star contact was not mailed to the D.D. Council for payment of services. Under the existing accounting process, transactions are recorded on a cash basis during the year, rather than on the accrual basis. We recommend that accrual entries be made during the monthly close to properly report activity on an accrual basis. These entries should include billing on the contracts. Accrual basis monthly statements will allow management to review the Agency's operations for the contract billing each month and provide a better picture of the results of operations than is available on a cash basis. We also recommend that the Executive Director closely monitor accounts receivable on a monthly basis.

Suggestion 2004-4. Although the Agency does have a method for cost allocation, they have not adopted a formal cost allocation plan. This comment is a result of the small size of the Agency. The growth the Agency has experienced within the past couple of years dictates that a formal plan for cost allocation be adopted. This would allow costs to be directly charged to the program to which they belong.

We recommend management address the foregoing issues as an improvement to operations and the administration of public programs. We are available to further explain the suggestions or help implement the recommendations.

McMullen and Mancuso, CPAs

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

December 1, 2004

FAMILIES HELPING FAMILIES OF SOUTHWEST LOUISIANA, INC.
Lake Charles, Louisiana

SCHEDULE OF PRIOR YEARS FINDINGS

Years Ended June 30, 2004

SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
N/A	
SECTION II - MANAGEMENT LETTER	
MC-1 The bank reconciliation for the month of June 2003 was not prepared timely and contained errors.	Resolved
MC-2 Lack of segregation of duties.	Resolved
MC-3 Formal allocation of costs.	Unresolved.

THIS SCHEDULE HAS BEEN PREPARED BY MANAGEMENT

FAMILIES HELPING FAMILIES OF SOUTHWEST LOUISIANA, INC.
Lake Charles, Louisiana

MANAGEMENT'S CORRECTIVE ACTION PLAN

Year Ended June 30, 2004

SECTION II - MANAGEMENT LETTER	
2004-1 Our review of the Agency's procedures indicated that there is a lack of control in the receiving, depositing, and recording of cash receipts.	The Agency has already implemented the recommendations this fiscal year.
2004-2 We noted the Agency has no fidelity bond covering employees handling cash (either its receipts or disbursements) or holding positions of trust.	The Agency will consider obtaining fidelity bond insurance.
2004-3 During the course of the audit, we tested grant receipts and noted that the June 04 billing for the DDL Star contract was not mailed to the D.D. Council for payments of services.	The Agency will implement the auditors' recommendations this fiscal year.
2004-4 Although the Agency does have a method for cost allocation, they have not adopted a formal cost allocation plan.	The Agency plans to implement a formal cost allocation plan this fiscal year.

THIS SCHEDULE HAS BEEN PREPARED BY MANAGEMENT