**Family Service of Greater Baton Rouge**
**Baton Rouge, Louisiana**
**December 31, 2013**

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HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

LOUIS C. McKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.
NEAL D. KING, C.P.A.
KARIN S. LEJEUNE, C.P.A.
ALYCE S. SCHMITT, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

**Independent Auditor's Report**

Board of Directors
Family Service of Greater Baton Rouge
Baton Rouge, Louisiana

**Report on the Financial Statements**

We have audited the accompanying financial statements of Family Service of Greater Baton Rouge (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Service of Greater Baton Rouge as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Uncertainty Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has been unable to meet its current obligations and has a projected negative cash flow for the year ended December 31, 2014. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

## Other Matters

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated June 30, 2014, on our consideration of Family Service of Greater Baton Rouge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Family Service of Greater Baton Rouge's internal control over financial reporting and compliance.

Hawthorn, Waymouth & Carroll, LLP

June 30, 2014

**Family Service of Greater Baton Rouge**
**Statements of Financial Position**
**December 31, 2013 and 2012**

## Assets

| | 2013 | 2012 |
|---|---|---|
| **Current Assets** | | |
| Cash and cash equivalents | $ 58,244 | $ 20,488 |
| Investments, at fair value | 7,712 | 6,076 |
| Receivables | | |
| Grants | 191,738 | 266,024 |
| Other | 15,132 | 5,136 |
| Loans receivable, net | 34,304 | 29,984 |
| Prepaid expenses | – | 12,655 |
| Total current assets | 307,130 | 340,363 |
| **Property and Equipment, Net** | 723,790 | 766,295 |
| Total assets | $ 1,030,920 | $ 1,106,658 |

## Liabilities and Net Assets

| | 2013 | 2012 |
|---|---|---|
| **Current Liabilities** | | |
| Accounts payable | $ 418,511 | $ 406,837 |
| Other accrued liabilities | 118,861 | 195,269 |
| Note payable | 20,334 | 25,334 |
| Accrued pension liability, current portion | 152,000 | 41,600 |
| Total current liabilities | 709,706 | 669,040 |
| **Noncurrent Liabilities** | | |
| Accrued pension liability | 253,414 | 395,682 |
| Total liabilities | 963,120 | 1,064,722 |
| **Net Assets** | | |
| Unrestricted | 33,641 | 13,530 |
| Unrestricted - designated | 34,159 | 28,406 |
| Total net assets | 67,800 | 41,936 |
| Total liabilities and net assets | $ 1,030,920 | $ 1,106,658 |

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

**Family Service of Greater Baton Rouge**
**Statements of Activities and Changes in Net Assets**
**Years Ended December 31, 2013 and 2012**

| | December 31, 2013 | | | December 31, 2012 | | |
|---|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| **Revenue, Gains, and Other Support** | | | | | | |
| United Way | $ 298,500 | $ – | $ 298,500 | $ 359,000 | $ – | $ 359,000 |
| Contributions/fund raising | 42,374 | – | 42,374 | 27,051 | – | 27,051 |
| Service fees | 249,029 | – | 249,029 | 200,167 | – | 200,167 |
| Interest | 176 | – | 176 | – | 121 | 121 |
| Workshops | 14,350 | – | 14,350 | 10,410 | – | 10,410 |
| Children's Trust Fund | 9,914 | – | 9,914 | 2,551 | – | 2,551 |
| Title I Coordination | 385,840 | – | 385,840 | 421,834 | – | 421,834 |
| Title IV Women and Children | 206,585 | – | 206,585 | 350,142 | – | 350,142 |
| Ways to Work Family Loan Program | – | – | – | 1,096 | – | 1,096 |
| Public grants | 85,508 | – | 85,508 | 99,070 | – | 99,070 |
| Tulane MHC/QRS Program | 471,336 | – | 471,336 | 409,766 | – | 409,766 |
| Family Preservation Program | 49,753 | – | 49,753 | 162,043 | – | 162,043 |
| JARC Grant | 153,336 | – | 153,336 | 106,833 | – | 106,833 |
| Other | 30,049 | – | 30,049 | 7,869 | – | 7,869 |
| | 1,996,750 | | 1,996,750 | 2,157,832 | 121 | 2,157,953 |
| Net assets released from restrictions in satisfaction of program restrictions | – | – | – | 15,724 | (15,724) | – |
| Total revenue, gains, and other support | 1,996,750 | – | 1,996,750 | 2,173,556 | (15,603) | 2,157,953 |

(Continued)

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

## Family Service of Greater Baton Rouge
## Statements of Activities and Changes in Net Assets
## Years Ended December 31, 2013 and 2012

| (Continued) | December 31, 2013 Unrestricted | December 31, 2013 Temporarily Restricted | December 31, 2013 Total | December 31, 2012 Unrestricted | December 31, 2012 Temporarily Restricted | December 31, 2012 Total |
|---|---|---|---|---|---|---|
| **Expenses** | | | | | | |
| Program Services | | | | | | |
| Counseling Program | $ 365,485 | $ – | $ 365,485 | $ 382,421 | $ – | $ 382,421 |
| Parenting Center | 468,702 | – | 468,702 | 467,944 | – | 467,944 |
| HIV Center | 713,694 | – | 713,694 | 879,812 | – | 879,812 |
| Ways to Work Family Loan Program | 83,487 | – | 83,487 | 281,591 | – | 281,591 |
| Family Preservation | 73,529 | – | 73,529 | 147,910 | – | 147,910 |
| Disaster Recovery | 39,695 | – | 39,695 | – | – | – |
| Supporting Services | | | | | | |
| Management and general | 218,365 | – | 218,365 | 310,990 | – | 310,990 |
| Fund raising | 61,024 | – | 61,024 | 60,092 | – | 60,092 |
| Total expenses | 2,023,981 | – | 2,023,981 | 2,530,760 | – | 2,530,760 |
| **Increase (Decrease) in Net Assets** | (27,231) | – | (27,231) | (357,204) | (15,603) | (372,807) |
| **Non-Operating Revenues (Expenses)** | | | | | | |
| Pension related changes other than net periodic pension costs | 53,095 | – | 53,095 | 24,735 | – | 24,735 |
| **Changes in Net Assets** | 25,864 | – | 25,864 | (332,469) | (15,603) | (348,072) |
| **Net Assets**, beginning of year | 41,936 | – | 41,936 | 374,405 | 15,603 | 390,008 |
| **Net Assets**, end of year | $ 67,800 | $ – | $ 67,800 | $ 41,936 | $ – | $ 41,936 |

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

Family Service of Greater Baton Rouge
Statement of Functional Expenses
Year Ended December 31, 2013

| | Program Services | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Counseling Program | Parenting Center | HIV Center | Family Loan Program | Family Preservation | Disaster Recovery | Total Program Services | Manage-ment and General | Fund Raising | 2013 Total Expenses |
| **Salaries and Related Expenses** | | | | | | | | | | |
| Salaries | $ 218,015 | $ 338,470 | $ 465,462 | $ 24,135 | $ 36,554 | $ 16,415 | $ 1,099,051 | $ 82,162 | $ 34,000 | $1,215,213 |
| Employee fringe benefits | 11,144 | 20,929 | 48,700 | 1,579 | 1,393 | – | 83,745 | 38,796 | 2,655 | 125,196 |
| Payroll taxes | 15,999 | 24,385 | 33,879 | 1,677 | 2,738 | 1,256 | 79,934 | 7,274 | 2,601 | 89,809 |
| Total salaries and related expenses | 245,158 | 383,784 | 548,041 | 27,391 | 40,685 | 17,671 | 1,262,730 | 128,232 | 39,256 | 1,430,218 |
| **General Expenses** | | | | | | | | | | |
| Professional fees | 62,973 | 24,579 | 20,768 | 2,494 | 2,240 | – | 113,054 | 9,835 | 16,938 | 139,827 |
| Supplies | 871 | 887 | 2,084 | 51 | 51 | – | 3,944 | 6,964 | 940 | 11,848 |
| Telephone | 2,432 | 2,796 | 5,274 | 871 | 1,126 | – | 12,499 | 675 | – | 13,174 |
| Postage | – | 10 | 29 | 7 | – | 134 | 180 | 3,797 | 1,558 | 5,535 |
| Janitorial and maintenance | 5,586 | 419 | 1,815 | 140 | 140 | – | 8,100 | 5,865 | – | 13,965 |
| Interest/penalties | – | – | 1,196 | – | – | – | 1,196 | 12,840 | – | 14,036 |
| Utilities | 2,384 | 2,792 | 5,273 | 1,160 | 1,101 | – | 12,710 | 1,997 | – | 14,707 |
| Repairs and maintenance of equipment | 5,859 | 4,733 | 9,640 | 2,574 | 2,498 | – | 25,304 | 8,006 | – | 33,310 |
| Printing and publications | 650 | 406 | – | – | – | – | 471 | 1,075 | 1,229 | 2,775 |
| Travel | 726 | 25,072 | 11,643 | 3,796 | 7,222 | 13,185 | 61,644 | 2,409 | 12 | 64,065 |
| Advertising | – | – | – | – | – | – | – | 1,101 | – | 1,101 |
| Conducting conferences | 265 | 3,947 | 1,196 | – | – | – | 5,408 | 2,085 | – | 7,493 |
| Specific assistance | 2,649 | 768 | 65,603 | – | 297 | 8,405 | 77,722 | – | – | 77,722 |
| Membership dues | 554 | 554 | 1,301 | 474 | 554 | – | 3,437 | 38 | – | 3,475 |
| Miscellaneous | 1,951 | 2,833 | 903 | – | 36 | 300 | 6,023 | 4,748 | 923 | 11,694 |
| Bank charges | – | – | 274 | – | – | – | 274 | 7,160 | – | 7,434 |
| Insurance | 11,935 | 14,225 | 26,663 | 4,662 | 4,769 | – | 62,254 | 3,779 | 168 | 66,201 |
| Bad debts | 4,488 | – | 6,623 | 39,421 | 12,364 | – | 62,896 | – | – | 62,896 |
| Depreciation | 17,589 | 897 | 5,368 | 446 | 446 | – | 24,746 | 17,759 | – | 42,505 |
| Total general expenses | 120,912 | 84,918 | 165,653 | 56,096 | 32,844 | 22,024 | 481,862 | 90,133 | 21,768 | 593,763 |
| Total functional expenses | $ 365,485 | $ 468,702 | $ 713,694 | $ 83,487 | $ 73,529 | $ 39,695 | $ 1,744,592 | $ 218,365 | $ 61,024 | $2,023,981 |

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

# Family Service of Greater Baton Rouge
## Statement of Functional Expenses
## Year Ended December 31, 2012

| | Program Services | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Counseling Program | Parenting Center | HIV Center | Family Loan Program | Family Preservation | Total Program Services | Management and General | Fund Raising | 2012 Total Expenses |
| **Salaries and Related Expenses** | | | | | | | | | |
| Salaries | $ 211,801 | $ 352,646 | $ 606,497 | $ 86,193 | $ 95,723 | $ 1,352,860 | $ 130,595 | $ 34,000 | $ 1,517,455 |
| Employee fringe benefits | 11,898 | 19,734 | 34,723 | 7,676 | 3,320 | 77,351 | 39,478 | 2,655 | 119,484 |
| Payroll taxes | 15,073 | 25,107 | 43,416 | 5,962 | 7,068 | 96,626 | 5,964 | 2,601 | 105,191 |
| Total salaries and related expenses | 238,772 | 397,487 | 684,636 | 99,831 | 106,111 | 1,526,837 | 176,037 | 39,256 | 1,742,130 |
| **General Expenses** | | | | | | | | | |
| Professional fees | 80,786 | 13,407 | 17,297 | 21,924 | 5,598 | 139,012 | 6,935 | 19,147 | 165,094 |
| Supplies | 1,913 | 1,154 | 8,721 | 764 | 764 | 13,316 | 14,353 | 9 | 27,678 |
| Telephone | 3,670 | 2,586 | 6,886 | 2,397 | 4,428 | 19,967 | 11,144 | – | 31,111 |
| Postage | 80 | 297 | 187 | 73 | – | 637 | 4,284 | 84 | 5,005 |
| Janitorial and maintenance | 8,963 | 672 | 2,913 | 224 | 224 | 12,996 | 9,411 | – | 22,407 |
| Interest/penalties | – | – | 462 | – | – | 462 | 24,115 | – | 24,577 |
| Utilities | 2,009 | 2,009 | 4,927 | 2,009 | 2,009 | 12,963 | 2,581 | – | 15,544 |
| Repairs and maintenance of equipment | 5,981 | 4,958 | 13,205 | 5,074 | 4,862 | 34,080 | 8,034 | – | 42,114 |
| Printing and publications | 1,198 | 1,124 | 2,875 | 1,124 | 1,124 | 7,445 | 718 | 484 | 8,647 |
| Travel | 838 | 27,955 | 14,382 | 507 | 13,479 | 57,161 | 2,146 | – | 59,307 |
| Advertising | – | – | – | – | – | – | 1,667 | 535 | 2,202 |
| Conducting conferences | 1,919 | 3,078 | 1,144 | – | – | 6,141 | 2,650 | 300 | 9,091 |
| Specific assistance | – | – | 82,177 | – | – | 82,177 | – | – | 82,177 |
| Membership dues | 460 | 460 | 1,316 | 460 | 460 | 3,156 | 543 | – | 3,699 |
| Miscellaneous | 2,100 | 3,816 | 13,622 | 1,759 | 531 | 21,828 | 5,529 | 109 | 27,466 |
| Bank charges | – | 163 | 1,496 | – | – | 1,659 | 15,473 | – | 17,132 |
| Insurance | 7,871 | 7,871 | 19,483 | 1,831 | 7,866 | 44,922 | 11,758 | 168 | 56,848 |
| Bad debts | – | – | – | 143,160 | – | 143,160 | – | – | 143,160 |
| Depreciation | 25,861 | 907 | 4,083 | 454 | 454 | 31,759 | 13,612 | – | 45,371 |
| Total general expenses | 143,649 | 70,457 | 195,176 | 181,760 | 41,799 | 632,841 | 134,953 | 20,836 | 788,630 |
| Total functional expenses | $ 382,421 | $ 467,944 | $ 879,812 | $ 281,591 | $ 147,910 | $ 2,159,678 | $ 310,990 | $ 60,092 | $ 2,530,760 |

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

**Family Service of Greater Baton Rouge**
**Statements of Cash Flows**
**Years Ended December 31, 2013 and 2012**

| | 2013 | 2012 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Change in net assets | $ 25,864 | $(348,072) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation | 42,505 | 45,371 |
| Bad debt expense | 62,896 | 143,160 |
| Unrealized loss (gain) on investments | (1,495) | (1,138) |
| Loss on disposal of fixed assets | – | 6,124 |
| (Increase) decrease in assets: | | |
| Accounts receivable | 40,798 | 2,913 |
| Prepaid expenses | 12,655 | (12,655) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 11,674 | 27,864 |
| Accrued pension liability | (31,867) | (550) |
| Other accrued liabilities | (76,408) | 57,015 |
| Net cash provided by (used in) operating activities | 86,622 | (79,968) |
| **Cash Flows From Investing Activities** | | |
| Net change in loans receivable | (43,725) | 2,342 |
| Purchase of investments | (141) | (115) |
| Net cash provided by (used in) investing activities | (43,866) | 2,227 |
| **Cash Flows From Financing Activities** | | |
| Payments on note payable | (5,000) | (3,000) |
| Net cash used in financing activities | (5,000) | (3,000) |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | 37,756 | (80,741) |
| **Cash and Cash Equivalents**, beginning of year | 20,488 | 101,229 |
| **Cash and Cash Equivalents**, end of year | $ 58,244 | $ 20,488 |
| **Supplemental Disclosure of Cash Flow Information** | | |
| Cash paid during the year for: | | |
| Interest | $ 11,255 | $ 3,533 |
| **Disclosure of Noncash Investing and Financing Activities** | | |
| Loans receivable billed to the organization under loan guarantee agreement and included in accounts payable | $ – | $ 144,231 |

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

## Note 1-Nature of Operations

The mission of Family Service of Greater Baton Rouge (the "Agency") is to counsel and strengthen individuals and families, improving their quality of life. The Agency, which was incorporated in 1955, has been a United Way agency since 1959, and an affiliate member of Alliance for Children and Families, an international nonprofit organization, since 1962. The Agency has various funding sources which include United Way, state and local grants, service fees and contributions. The Agency offers a wide range of services:

The Child & Family Counseling Center - provides clinical services to children, individuals, and families who need help in finding solutions to a wide range of emotional, behavioral, and relationship problems.

The Parenting Center - promotes healthy family development by providing ongoing workshops, consultations, and classes to help parents increase their knowledge, skills, and decision making in the important role of effective parenting.

The HIV Center - helps clients access services, resources, and programs that enhance health and well-being. Services include HIV testing, HIV Peer Prevention, case management, support groups, counseling, health/treatment education, transportation, childcare, and financial assistance toward rent, mortgage payments, utilities, medication, and eye and dental care.

The Ways to Work Family Loan Program - provides loans to low income families unable to qualify for conventional loans and enables individuals to meet work or educational goals on their way toward self-sufficiency with workshops focusing on money management and budgeting.

The Family Preservation Program - provides in-home therapy services to youth on probation and their families. Therapists work with families toward stabilizing the home environment and lessening the triggers contributing to the youth's unlawful behavior.

Disaster Recovery Program - provides services to individuals and families impacted by a disaster in or around the United States. This program quickly links disaster clients to appropriate resources and emergency assistance, which ultimately reduces their dependency for more intensive social services.

## Note 2-Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, whereby revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**Note 2-Summary of Significant Accounting Policies** (Continued)

B. Basis of Presentation

The Agency reports 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. Unrestricted net assets include those net assets whose use by the Agency is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation. Temporarily restricted net assets are those net assets whose use by the Agency has been limited by donors (a) to later periods of time or other specific dates, or (b) for specified purposes. Permanently restricted net assets are those net assets received with donor-imposed restrictions permanently limiting the Agency's use of the asset. At December 31, 2013 and 2012, the Agency had no permanently or temporarily restricted net assets.

C. 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 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Management's estimates include, but are not limited to, collectibility of receivables and the accrued pension liability. Management's estimates are derived from and are continually evaluated based upon available information, judgment, and experience. Because of inherent uncertainties in estimating collectibility of loans receivable and future pension obligations, it is at least reasonably possible that the estimates used will change within the near term.

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Agency considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

E. Receivables

Receivables consist of amounts due from granting agencies for services performed and short-term receivables arising from providing counseling services.

Receivables are presented at face value, net of the allowance for doubtful accounts. Management determines the allowance for doubtful accounts based upon prior experience and its assessment of the collectibility of specific accounts. The allowance for doubtful accounts is established through provisions charged to bad debt expense and is maintained at a level believed adequate by management to absorb estimated bad debts based on current economic conditions. Uncollectible receivables are charged off when management determines that all reasonable collection efforts have been exhausted.

At December 31, 2013 and 2012, all receivables were considered to be fully collectable by management; therefore, no allowance for doubtful accounts had been established for these amounts.

**Note 2-Summary of Significant Accounting Policies** (Continued)

F. Loans Receivable and Allowance for Credit Losses

The Agency's loans receivable are comprised of vehicle loans from Ways to Work secured by the underlying collateral pledged by the borrowers in accordance with the terms of the loans. The loans are carried at cost, less the allowance for loan losses.

The Agency maintains an allowance for loan losses based on management's estimate of credit losses inherent in the Agency's loans receivable. The estimation of the allowance is based on a variety of factors including, but not limited to, industry statistics, current economic conditions, loan portfolio composition, delinquency trends, and credit losses to date on underlying loans.

G. Contributions

Contributions received, including unconditional promises to give, are measured at their fair value and recorded as increases in net assets. In the absence of donor restrictions, donated assets are reported as unrestricted assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no contributions received or unconditional promises to give in 2013 and 2012.

H. Investments

Investments in equity securities with readily determinable fair values and all debt securities are carried at fair value. Fair value is determined using quoted market prices (where available), or if not available, estimated fair values based on quoted market prices of financial instruments with similar characteristics. All other investments are carried at the lower of cost or market. Recognized gains and losses on investments are reflected in the statements of activities and changes in net assets. Dividends and interest income are recorded during the period earned.

The Agency follows FASB-ASC 820, *Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. FASB-ASC 820 establishes a hierarchical framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment.

The Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Agency determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level I: Quoted prices (unadjusted) in active markets which are accessible at the measurement date.

Level II: Prices based on observable inputs corroborated by market data but no quoted active markets.

Level III: Prices based on unobservable inputs, including situations where there is little, if any, market activity for the assets or liabilities. The inputs used in the determination of fair value require significant management judgment or estimation.

**Note 2-Summary of Significant Accounting Policies** (Continued)

H. Investments (Continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investments.

I. Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the useful lives of the assets, which range as follows:

| | |
|---|---|
| Building and improvements | 5 - 45 years |
| Equipment | 3 - 10 years |

Expenditures for major additions of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

J. Accrued Pension Liability

The Agency accounts for its defined benefit pension plan in accordance with FASB-ASC 715, *Compensation-Retirement Benefits*, which requires employers to recognize the funded status of a benefit plan in the statements of financial position and recognize changes in the funded status through the statements of activities and changes in net assets.

K. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted based on records and estimates made by the Agency's management.

L. Restrictions on Net Assets

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions received with restrictions that are met during the year received are included in the financial statements as unrestricted contributions.

**Note 2-Summary of Significant Accounting Policies** (Continued)

M. Contributed Services

Donations of services that create or enhance physical assets and essential services that are donated by persons with specialized skills are measured at their fair value and reported as increases in unrestricted net assets during the period provided. No contributed services were recorded in the statements of activities and changes in net assets for the years ended December 31, 2013 and 2012.

N. Income Taxes

The Foundation is a nonprofit organization, not classified as a private foundation, which has qualified as nonprofit under Section 501(c)(3) of the Internal Revenue Code and is not subject to federal or state income tax.

Management has determined that there are no uncertain tax positions that would require recognition in the financial statements. If the Agency were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax would be reported as income taxes. Management's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based on ongoing analysis of tax laws, regulations, and interpretations thereof as well as other factors. Generally, tax returns may be examined for three years from the filing date and the current and prior three years remain subject to examination as of December 31, 2013.

O. Advertising

Advertising costs are charged to operations when incurred and totaled $1,101 and $2,202 for the years ended December 31, 2013 and 2012, respectively.

**Note 3-Going Concern**

Although the Agency continued to lose revenue sources in 2013, it was able to control expenses, resulting in a $345,576 decrease in its net operating loss to $27,231 in 2013 compared to $372,807 in 2012. However, the Agency's quick ratio remains well below 1.00, at 0.43 for 2013, which indicates continued risk that the Agency will not be able to satisfy its legal obligations in the near future. Also, the Agency occupies an older building and operates with aging equipment. Management has controlled short-term spending in these areas, but capital outlay is certain to increase in the future to maintain operations. Lastly, the Agency's funding of its defined benefit plan (as discussed in Note 12) continues to add to the Agency's financial distress. As a result, these factors combined create an uncertainty about the Agency's ability to continue as a going concern.

Management of the Agency is continuing with its plan to reduce its liabilities through a mix of cost cutting, grant writing, negotiating new terms with vendors, and changes to its defined benefit plan. Management has successfully negotiated reduced settlements with several vendors during the first quarter of 2014 and is in discussion with Ways to Work, Inc. to settle the outstanding debts owed related to the Family Loan Program. The ability of the Agency to continue as a going concern is dependent on the continued acceptance of the plan by the Agency's vendors, changes to its defined benefit plan, and success of the plan in general. The financial statements do not include any adjustments that might be necessary if the Agency is unable to continue as a going concern.

## Note 4-Investments

At December 31, the carrying value of the Agency's investments is comprised of the following:

| | 2013 | 2012 |
|---|---|---|
| Money market funds | $ 1,580 | $ 1,438 |
| Equity securities | 6,132 | 4,638 |
| | $ 7,712 | $ 6,076 |

Investment earnings are for the years ended December 31 are as follows:

| | 2013 | 2012 |
|---|---|---|
| Interest/dividends | $ 176 | $ 121 |
| Unrealized gain | 1,495 | 1,138 |
| | $ 1,671 | $ 1,259 |

## Note 5-Receivables

Receivables are composed of the following:

| | 2013 | 2012 |
|---|---|---|
| **Grants** | | |
| Title IV Women and Children Grant | $ 15,463 | $ 53,358 |
| Title I Coordination | 77,180 | 107,290 |
| Tulane MHC/QRS Program | 41,639 | 52,943 |
| Family Preservation Program | – | 24,463 |
| JARC Grant | 55,224 | 6,182 |
| Linkage Grant | 2,232 | 21,788 |
| | $ 191,738 | $ 266,024 |
| **Other** | | |
| Counseling receivables | $ 15,132 | $ 5,136 |

## Note 6-Loans Receivable

The following table summarizes the components of the Agency's loan portfolio:

| | Balance | Percent of Loans |
|---|---|---|
| **December 31, 2013** | | |
| Automobile loans | $ 343,582 | 100.0% |
| Less: allowance for credit losses | (309,278) | |
| | $ 34,304 | |
| **December 31, 2012** | | |
| Automobile loans | $ 299,841 | 100.0% |
| Less: allowance for credit losses | (269,857) | |
| | $ 29,984 | |

The following table presents the aging analysis of past due loans as of December 31, 2013 and 2012:

| | 30 - 89 Days Past Due | Greater Than 90 Days | Total Past Due | Current | Total Loans | Recorded Investment >90 Days Accruing |
|---|---|---|---|---|---|---|
| **December 31, 2013** | | | | | | |
| Automobile loans | $ – | $ 343,582 | $ 343,582 | $ – | $ 343,582 | $ – |
| Less: allowance for credit losses | – | (309,278) | (309,278) | – | (309,278) | |
| Total loans, net | $ – | $ 34,304 | $ 34,304 | $ – | $ 34,304 | |
| **December 31, 2012** | | | | | | |
| Automobile loans | $ – | $ 299,841 | $ 299,841 | $ – | $ 299,841 | $ – |
| Less: allowance for credit losses | – | (269,857) | (269,857) | – | (269,857) | |
| Total loans, net | $ – | $ 29,984 | $ 29,984 | $ – | $ 29,984 | |

Management monitors the credit quality of its loans on an ongoing basis. Measurement of delinquency and past due status are based on the contractual terms of each loan.

Past due loans are reviewed on a monthly basis to identify loans for nonaccrual status. Generally, when collection in full of the principal and interest is jeopardized, the loan is placed on nonaccrual. The accrual of interest is generally discontinued when a loan becomes 90 days past due as to principal or interest. When interest accruals are discontinued, unpaid interest recognized in income is reversed. The Agency's method of income recognition for loans that are classified as nonaccrual is to recognize interest income on a cash basis or apply the cash receipt to principal when the ultimate collectibility of principal is in doubt. Nonaccrual loans will not normally be returned to accrual status unless all past due principal and interest have been collected.

**Note 6-Loans Receivable** (Continued)

The following is a summary of nonaccrual loans by class as of December 31:

| | 2013 | 2012 |
|---|---|---|
| Automobile loans | $ 343,582 | $ 299,841 |

The Agency assigns credit quality indicators of pass, special mention and substandard to its loans based upon an individual loan's delinquency status.

Loans included in the pass category are performing loans with satisfactory collateral, payment history, and documentation.

Special mention loans have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loans or in the Agency's credit position at some future date. Nonfinancial reasons for rating a credit exposure of special mention include an ineffective loan agreement or other material structure weaknesses and any other significant deviation from prudent lending practices.

A substandard loan is inadequately protected by the paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt of the borrower. They are characterized by the distinct possibility that the Agency will sustain some loss if the deficiencies are not corrected. They require more intensive supervision by management. Repayment may depend on collateral or other credit risk mitigants. For some substandard loans, the likelihood of the full collection of interest and principal may be in doubt. Loans that are 90 days or more past due or that have been placed on nonaccrual are considered substandard.

The following table identifies the credit exposure of the loan portfolio by specific credit ratings as of December 31:

| | Pass | Special Mention | Sub-standard | Total |
|---|---|---|---|---|
| **December 31, 2013** | | | | |
| Automobile loans | $ – | $ – | $ 343,582 | $ 343,582 |
| Less: allowance for credit losses | – | – | (309,278) | (309,278) |
| Total loans, net | $ – | $ – | $ 34,304 | $ 34,304 |
| **December 31, 2012** | | | | |
| Automobile loans | $ – | $ – | $ 299,841 | $ 299,841 |
| Less: allowance for credit losses | – | – | (269,857) | (269,857) |
| Total loans, net | $ – | $ – | $ 29,984 | $ 29,984 |

## Note 7-Allowance for Credit Losses

A summary of changes in the allowance for credit losses, by portfolio, for the years ended December 31, is as follows:

| | 2013 | 2012 |
|---|---|---|
| Allowance for credit losses: | | |
| Beginning balance | $ 269,857 | $ 177,112 |
| Charge-offs | – | (50,415) |
| Recoveries | – | – |
| Provision for credit losses | 39,421 | 143,160 |
| Ending balance | $ 309,278 | $ 269,857 |
| Allowance at end of year: | | |
| Individually evaluated for impairment | $ – | $ – |
| Collectively evaluated for impairment | 309,278 | 269,857 |
| | $ 309,278 | $ 269,857 |
| Loans at end of year: | | |
| Loans individually evaluated for impairment | $ – | $ – |
| Loans collectively evaluated for impairment | 343,582 | 299,841 |
| | $ 343,582 | $ 299,841 |

The allowance for credit losses is reviewed by management periodically, and additions are recorded in order to maintain the allowance at an adequate level. In assessing the adequacy of the allowance, management considers a variety of internal and external factors that might affect the performance of individual loans. These factors include, but are not limited to, economic conditions and their impact upon borrowers' ability to repay loans, respective industry trends, borrower estimates and independent appraisals. Periodic changes in these factors impact management's assessment of each loan and its overall impact on the adequacy of the allowance for credit losses.

## Note 8-Property and Equipment

Property and equipment consisted of the following as of December 31:

| | 2013 | 2012 |
|---|---|---|
| Land | $ 126,527 | $ 126,527 |
| Building and improvements | 1,122,253 | 1,122,253 |
| Equipment | 251,924 | 251,924 |
| | 1,500,704 | 1,500,704 |
| Less: accumulated depreciation | (776,914) | (734,409) |
| Total property and equipment, net | $ 723,790 | $ 766,295 |

**Note 9-Note Payable**

| | 2013 | 2012 |
|---|---|---|
| The Agency has an unsecured note payable to Ways to Work, Inc. for the purpose of supporting the Family Loan Program. The note matured on October 5, 2011 and the balance is due on demand. | $ 20,334 | $ 25,334 |

**Note 10-Unrestricted-Designated Net Assets**

Unrestricted net assets designated by management for a particular purpose are as follows:

| | 2013 | 2012 |
|---|---|---|
| Ways to Work Family Loan Program | $ 8,982 | $ 10,957 |
| The Parenting Center | 16,335 | – |
| HIV Center | 8,842 | 17,449 |
| | $ 34,159 | $ 28,406 |

**Note 11-Assets Measured at Fair Value on a Recurring Basis**

Assets measured at fair value on a recurring basis comprise the following:

| | Quoted Prices in Active Markets (Level 1) | Other Observable Inputs (Level 2) | Un-observable Inputs (Level 3) | Total |
|---|---|---|---|---|
| **December 31, 2013** | | | | |
| Money market funds | $ 1,580 | $ – | $ – | $ 1,580 |
| Equity securities | 6,132 | – | – | 6,132 |
| | $ 7,712 | $ – | $ – | $ 7,712 |
| **December 31, 2012** | | | | |
| Money market funds | $ 1,438 | $ – | $ – | $ 1,438 |
| Equity securities | 4,638 | – | – | 4,638 |
| | $ 6,076 | $ – | $ – | $ 6,076 |

For all investments and assets held in trust, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

## Note 12-Pension Plan - Defined Benefit

The Agency has a defined benefit pension plan which covers substantially all of its employees who meet eligibility requirements. Benefits under the plan are generally based on the employee's compensation during the highest five consecutive calendar years' salary during the last ten completed calendar years of service before retirement. The pension plan is funded in accordance with the requirements of the Employee Retirement Income Security Act of 1974.

The Agency follows FASB ASC 715-60, *Defined Benefit Plans - Other Postretirement*, which requires that the funded status of defined benefit pension plans be fully recognized in the Statements of Financial Position as an asset (for overfunded plans) or as a liability (for underfunded plans).

Effective December 31, 2008, the defined benefit plan was frozen, with no new participants added.

Pension expense for the defined benefit plan for the years ended December 31, 2013 and 2012 was $21,227 and $24,185, respectively.

The following table presents the changes in benefit obligations, changes in Plan assets, and the composition of accrued benefit costs in the Statements of Financial Position for the years ended December 31, 2013 and 2012:

| | Pension | |
|---|---|---|
| | **2013** | **2012** |
| **Changes in Benefit Obligations** | | |
| Benefit obligations at beginning of year | $ 876,865 | $ 857,604 |
| Service cost | 8,160 | 9,969 |
| Interest cost | 32,944 | 33,930 |
| Change due to assumption changes | 48,650 | 14,553 |
| Actuarial (gain) loss | 5,385 | 516 |
| Benefits paid | (15,607) | (29,738) |
| Expense charges | (8,160) | (9,969) |
| Benefit obligations at end of year | 948,237 | 876,865 |
| **Changes in Plan Assets** | | |
| Fair value of plan assets at beginning of year | 439,583 | 419,772 |
| Actual return on plan assets | 127,007 | 59,518 |
| Benefits and expenses paid | (23,767) | (39,707) |
| Fair value of plan assets at end of year | 542,823 | 439,583 |
| Accrued pension liability | 405,414 | 437,282 |
| Less: current portion | (41,600) | (41,600) |
| Accrued pension liability, noncurrent portion | $ 363,814 | $ 395,682 |

**Note 12-Pension Plan - Defined Benefit** (Continued)

Pension related changes other than net periodic cost under FASB ASC 715-60 are as follows:

| | 2013 | 2012 |
|---|---|---|
| Net change in unrestricted net assets | $ 53,095 | $ 24,735 |

Items not yet recognized as a component of net periodic benefit costs:

| | 2013 | 2012 |
|---|---|---|
| Unrecognized net actuarial loss | $ 227,462 | $ 280,557 |

The weighted average assumptions used to determine benefit obligations and net benefit costs for the years ended December 31, were as follows:

| | Pension Benefits | |
|---|---|---|
| | 2013 | 2012 |
| **Benefit Obligations** | | |
| Discount rate | 4.25% | 3.75% |
| Post-retirement interest rate | 5.50% | 6.50% |
| Expected return on plan assets | 7.00% | 7.50% |
| Rate of compensation increase | 0.00% | 0.00% |
| Social Security wage base increase | 0.00% | 0.00% |

The Expected Long-Term Rate of Return on Plan Assets assumption of 7.0% was selected using the "building block" approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27-Selection of Economic Assumptions for Measuring Pension Obligations. Based on the Agency's investment policy for the pension plan, a best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on historical thirty year period rolling averages. An average inflation rate within the range equal to 3.25% was selected and added to the real rate of return range to arrive at a best estimate range of 5.93% to 7.89%. A rate within the best estimate range of 7.0% was selected.

The components of net periodic benefit costs for the years ended December 31, 2013 and 2012 are as follows:

| | Pension Benefits | |
|---|---|---|
| | 2013 | 2012 |
| Service cost | $ 8,160 | $ 9,969 |
| Interest cost | 32,944 | 33,930 |
| Expected return on plan assets | (29,939) | (29,994) |
| Amount of recognized actuarial gains | 10,062 | 10,280 |
| Net periodic benefit costs | $ 21,227 | $ 24,185 |

**Note 12-Pension Plan - Defined Benefit** (Continued)

Expected Future Benefit Payments

Anticipated contributions to the plan in 2014 are expected to be $152,000. Benefits expected to be paid during the ensuing five years and thereafter, are approximated as follows:

| **Fiscal Year Beginning** | |
|---|---|
| January 1, 2014 | $245,000 |
| January 1, 2015 | 30,000 |
| January 1, 2016 | 142,000 |
| January 1, 2017 | 48,000 |
| January 1, 2018 | 47,000 |
| 01/01/2019 to 01/01/2022 | 107,000 |

Plan Assets by Category

The fair value of plan assets, including the level within the fair value hierarchy, as of December 31, 2013 and 2012, is as follows:

| | **Quoted Prices in Active Markets (Level 1)** | **Other Observable Inputs (Level 2)** | **Un-observable Inputs (Level 3)** | **Total** |
|---|---|---|---|---|
| **December 31, 2013** | | | | |
| Equity mutual funds | $ 532,836 | $ – | $ – | $ 532,836 |
| Money market funds | 9,987 | – | – | 9,987 |
| | $ 542,823 | $ – | $ – | $ 542,823 |
| **December 31, 2012** | | | | |
| Equity mutual funds | $ 429,886 | $ – | $ – | $ 429,886 |
| Money market funds | 9,697 | – | – | 9,697 |
| | $ 439,583 | $ – | $ – | $ 439,583 |

The Agency's investment strategy is a long-term investment mix of equity mutual fund investments and cash equivalents. Investment mix is managed to maximize returns on plan assets.

For all plan assets, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

**Note 13-Pension Plan - Defined Contribution**

The Agency has a defined contribution plan subject to Section 403(b) of the Internal Revenue Code. The plan covers substantially all of its employees who meet eligibility requirements. Contributions to the plan are based on 25% of the first 6% of the amount of the salary reduction of each employee. The Agency also made a 3% safe-harbor contribution for all eligible employees. In February 2013, the safe-harbor contribution was discontinued. The amounts of pension expense under this plan were $4,017 and $23,053 for the years ended December 31, 2013 and 2012, respectively.

**Note 14-Economic Dependency**

The Agency receives a majority of its revenue from funds provided through programs administered by the State of Louisiana and United Way. The program amounts are appropriated each year by the Federal and State governments and the United Way Agency. If significant budget cuts are enacted at the Federal and/or State level, the amount of the funds the Agency receives could be reduced significantly and have an adverse impact on its operations.

**Note 15-Contingencies - Grant Program**

The Agency participates in Federal and State grant programs, which are governed by various rules and regulations. Costs charged to the grant programs are subject to audit and adjustment by the grantor agency; therefore, to the extent that the Agency has not complied with the rules and regulations governing the grants, refunds of any money received and the collectibility of any related receivable at year end may be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and Family Service of Greater Baton Rouge.

**Note 16-Off-Balance Sheet Risk - Loan Guarantees**

The Ways to Work Family Loan Program's purpose is to provide automobile loans to individuals unable to qualify for traditional financing. The Agency partnered with Ways to Work, Inc. to facilitate the loan process. Ways to Work, Inc. issues the loans at interest rates and repayment periods determined by the Agency. The Agency guarantees all loans issued. In the event that a participant defaults on a loan, the Agency purchases the loan from the financial institution and attempts to collect unpaid principal and interest. As of December 31, 2013, the maximum amount payable under such guarantees is $223,421.

**Note 17-Subsequent Events**

Family Service of Greater Baton Rouge has evaluated all subsequent events through June 30, 2014, the date the financial statements were available to be issued. As a result, the Agency noted no subsequent events that required adjustment to, or disclosure in, these financial statements.

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

LOUIS C. McKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.
NEAL D. KING, C.P.A.
KARIN S. LEJEUNE, C.P.A.
ALYCE S. SCHMITT, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

## Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Family Service of Greater Baton Rouge
Baton Rouge, Louisiana

We have audited, in accordance with the 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, the financial statements of Family Service of Greater Baton Rouge (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Family Service of Greater Baton Rouge's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Family Service of Greater Baton Rouge's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency*, is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Findings 2013-01 through 2013-05 that we consider to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Family Service of Greater Baton Rouge's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

**Family Service of Greater Baton Rouge's Response to Findings**

Family Service of Greater Baton Rouge's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Family Service of Greater Baton Rouge's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hawthorn, Waymouth & Carroll, LLP

June 30, 2014

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

LOUIS C. McKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
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CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

# Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Board of Directors
Family Service of Greater Baton Rouge
Baton Rouge, Louisiana

## Report on Compliance for Each Major Federal Program

We have audited Family Service of Greater Baton Rouge's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Family Service of Greater Baton Rouge's major federal programs for the year ended December 31, 2013. Family Service of Greater Baton Rouge's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

## Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

## Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Family Service of Greater Baton Rouge's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Family Service of Greater Baton Rouge's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Family Service of Greater Baton Rouge's compliance.

## Opinion on the Major Federal Program

In our opinion, Family Service of Greater Baton Rouge complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

## Report on Internal Control Over Compliance

Management of Family Service of Greater Baton Rouge is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Family Service of Greater Baton Rouge's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Family Service of Greater Baton Rouge's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hawthorn, Waymouth & Carroll, LLP

June 30, 2014

**Family Service of Greater Baton Rouge**
**Schedule of Expenditures of Federal Awards**
**Year Ended December 31, 2013**

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Subtotals | Federal Expenditures |
|---|---|---|---|
| **U.S. Department of Health and Human Services** | | | |
| Pass-through programs from: | | | |
| Louisiana Department of Health and Hospitals | | | |
| HIV Care Formula Grants | 93.917 | | $ 384,216 |
| Children's Hospital FACES | | | |
| Coordinated Services and Access to Research for Women, Infants, Children, and Youth (Ryan White Program Part D Women, Infants, Children and Youth WICY Program) | 93.153 | $191,121 | |
| Our Lady of the Lake Hospital, Inc. | | | |
| Coordinated Services and Access to Research for Women, Infants, Children, and Youth (Ryan White Program Part D Women, Infants, Children and Youth WICY Program) | 93.153 | 15,454 | 206,585 |
| Tulane University: Tulane Education Fund | | | |
| Child Care and Development Block Grant* | 93.575 | | 471,336 |
| Louisiana Department of Children and Family Services | | | |
| Community-Based Child Abuse Prevention Grants | 93.590 | | 9,914 |
| Total Department of Health and Human Services | | | 1,072,051 |
| **U.S. Department of Transportation** | | | |
| Pass-through programs from: | | | |
| Ways to Work, Inc. | | | |
| Job Access - Reverse Commute | 20.516 | | 153,336 |
| Total expenditures of federal awards | | | $ 1,225,387 |

*Denotes major program

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**Family Service of Greater Baton Rouge**
**Notes to the Schedule of Expenditures of Federal Awards**
**Year Ended December 31, 2013**

**Note 1-Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal expenditures of Family Service of Greater Baton Rouge 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.*

**Note 2-Summary of Significant Accounting Principles**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3-Subrecipients**

Family Service of Greater Baton Rouge did not pass through any of its federal awards to a subrecipient during the fiscal year 2013.

**Note 4-Non-cash Assistance**

No federal awards were expended in the form of non-cash assistance during the fiscal year 2013.

**Family Service of Greater Baton Rouge**
**Schedule of Findings and Questioned Costs**
**Year Ended December 31, 2013**

**Section I - Summary of Auditor's Results**

Report on Internal Control and Compliance Material to the Financial Statements

Type of Auditor's report:
Unmodified

Internal control over financial reporting
* Material weakness(es) identified:
____ Yes __X__ No
* Significant deficiencies identified that are not considered to be material weaknesses:
__X__ Yes ____ None reported
Noncompliance material to financial statements noted:
____ Yes __X__ No

Federal Awards

Internal control over major programs
* Material weakness(es) identified:
____ Yes __X__ No
* Significant deficiencies identified that are not considered to be material weaknesses:
____ Yes __X__ None reported

Type of auditor's report issued on compliance for major programs:
Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133:
____ Yes __X__ No

Identification of major programs:

| CFDA Numbers | Federal Program or Cluster |
|---|---|
| 93.575 | Child Care and Development Block Grant |

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee:
____ Yes __X__ No

**Family Service of Greater Baton Rouge**
**Schedule of Findings and Questioned Costs**
**Year Ended December 31, 2013**

**Section II - Financial Statement Findings**

*2013-01: Inadequate Controls over Credit Cards*

Condition:
There was no documentation of approval for credit card expenditures.

Criteria:
Controls over cash disbursements should include maintaining adequate, appropriate supporting documentation for all purchases, and obtaining and documenting proper approval for purchases.

Effect:
There is an increased risk of possible misappropriation of assets.

Cause:
The Agency has inadequate controls over credit card usage.

Auditor's Recommendation:
We recommend that proper supporting documentation for all credit card charges be retained and kept with the original credit card statement. In addition, it is recommended that a member of the Board of Directors review and document approval of the credit card activity on a monthly basis.

Management's Response:
More structured internal controls have been developed for use of the agency credit card. A sign out document will be used to verify use of the card. Proper receipts and supporting documentation will be maintained with the original credit card statement. The credit card statement will be reviewed at Finance Committee meeting on a monthly basis. The Treasurer will sign the original statement verifying that it was reviewed. The review will also be recorded in the minutes of the meeting.

*2013-02: Lack of Subsidiary for Counseling Program Receivables*

Condition:
The Agency does not maintain a subsidiary ledger for the counseling program receivables.

Criteria:
There should be a subsidiary ledger that details what the general ledger receivables balance is comprised of, and the ledger should be reconciled to the general ledger on a regular basis.

Effect:
The Agency has no way to track how much is owed to them for the counseling program, and the general ledger could be misstated.

Cause:
Lack of internal control over receivables.

Auditor's Recommendation:
A subsidiary ledger should be maintained for the Agency's counseling receivables, and it should be reconciled to the general ledger on a regular basis.

**Section II - Financial Statement Findings** (Continued)

*2013-02: Lack of Subsidiary for Counseling Program Receivables* (Continued)

Management's Response:
A subsidiary ledger for the counseling program receivables will be developed. The ledger will be reconciled to revenue deposits in the agency's QuickBooks system. This will be done on a weekly basis.

*2013-03: Untimely Payroll Tax Deposits*

Condition:
For the quarter ended September 30, 2013, the Agency failed to remit its state payroll tax deposits within the time allowed. This is a repeat finding from the prior year.

Criteria:
Louisiana tax law requires that quarterly tax deposits be made before the end of the following month for which they apply.

Effect:
The Agency is liable for penalties and interest to the Louisiana Department of Revenue.

Cause:
Due to insufficient cash flow, the Agency was unable to remit payroll tax deposits in a timely manner.

Auditor's Recommendation:
Management should monitor cash levels to ensure that sufficient funds exist to make required payroll tax deposits in a timely manner.

Management's Response:
During the third quarter of the year, the agency failed to make timely payroll tax deposits within the required timeline. This occurred as a result of insufficient cash flow. Management will monitor cash and attempt to reserve adequate funds to ensure payroll tax deposits are made timely.

*2013-04: Lack of Grant Documentation*

Condition:
The Agency does not have a signed contract or a notice of grant award on file for their JARC grant.

Criteria:
There should be a signed contract or a notice of grant award on file.

Effect:
Revenues recognized for the JARC grant cannot be substantiated.

Cause:
Lack of monitoring contracts and grants.

**Section II - Financial Statement Findings** (Continued)

*2013-04: Lack of Grant Documentation* (Continued)

Auditor's Recommendation:
Management should maintain a signed contract or notice of grant award on file for every grant received.

Management's Response:
Due to untimely turnover in staff at the CATS organization, Family Service of Greater Baton Rouge did not receive verification regarding renewal of grant award. This was brought to the attention of newly assigned contract staff. For prior periods, notice of grant award was maintained on file as required. Dually signed contracts and notice of grant award will be maintained for all grants as required.

*2013-05: 403(b) Contributions*

Condition:
At various times during the year, the Agency failed to remit its employees' elective deferral contributions to its 403(b) retirement plan within the time allowed under the Employee Retirement Income Security Act of 1974 (ERISA).

Criteria:
ERISA requires that employees' elective deferral contributions to a 403(b) retirement plan be remitted by the employer within fifteen days of the end of the month during which the contributions were withheld. This is a repeat finding from the prior year.

Effect:
The Agency is liable for penalties and interest to both the Internal Revenue Service and the Department of Labor.

Cause:
Due to insufficient cash flows, the Agency was unable to remit employees' elective deferral contributions in a timely manner.

Auditor's Recommendation:
Management should monitor cash levels to ensure that sufficient funds exist to make required 403(b) contribution remittances at the same time payroll is processed and paid.

Management's Response:
Management will monitor the agency's cash level to ensure adequate funds are reserved to make required 403(b) contribution remittances in a timely manner.

**Section III - Federal Awards Findings**

None.

**Family Service of Greater Baton Rouge**
**Schedule of Prior Year Findings and Questioned Costs**
**Year Ended December 31, 2013**

**Section II - Financial Statement Findings**

*2012-01: Payroll Taxes*

Condition:
At various times during the year, the Agency failed to remit its federal and state payroll tax deposits within the time allowed.

Criteria:
Federal tax law requires that payroll tax deposits be made within three days of the day upon which they are withheld. Louisiana tax law requires that monthly tax deposits be made before the end of the following month for which they apply.

Effect:
The Agency is liable for penalties and interest to both the Internal Revenue Service and the Louisiana Department of Revenue.

Cause:
Due to insufficient cash flows, the Agency was unable to remit payroll tax deposits in a timely manner.

Auditor's Recommendation
Management should monitor cash levels to ensure that sufficient funds exist to make required payroll tax deposits at the same time payroll is processed and paid.

Management's Response:
Revenue from funding sources is not received in a timely fashion and delays timely tax deposits. Every effort shall be made to ensure tax deposits are made three days of the payroll date to avoid incurring penalties and interest from taxing authorities.

Status:
This repeats as current year finding 2013-03.

**Family Service of Greater Baton Rouge**
**Schedule of Prior Findings and Questioned Costs**
**Year Ended December 31, 2013**

**Section II - Financial Statement Findings** (Continued)

*2012-02: 403(b) Contributions*

Condition:
At various times during the year, the Agency failed to remit its employees' elective deferral contributions to its 403(b) retirement plan within the time allowed under the Employee Retirement Income Security Act of 1974 (ERISA).

Criteria:
ERISA requires that employees' elective deferral contributions to a 403(b) retirement plan be remitted by the employer within fifteen days of the end of the month during which the contributions were withheld. This is a repeat finding from the prior year.

Effect:
The Agency is liable for penalties and interest to both the Internal Revenue Service and the Department of Labor.

Cause:
Due to insufficient cash flows, the Agency was unable to remit employee's elective deferral contributions in a timely manner.

Auditor's Recommendation:
Management should monitor cash levels to ensure that sufficient funds exist to make required 403(b) contribution remittances at the same time payroll is processed and paid.

Management's Response:
Management shall monitor cash levels to ensure sufficient funds are available to make elective deferral contributions to the 403(b) plan. During periods when the Agency is not receiving reimbursement from funding sources in a timely manner, the employee portion of the contribution is paid and the employer portion is paid when revenue is received. Every effort shall be made to pay both portions simultaneously by the 15$^{th}$ day of each month.

Status:
This repeats as current year finding 2013-05.

**Section III - Federal Awards Findings**

None.