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**Family Service of Greater Baton Rouge**
**Baton Rouge, Louisiana**
**December 31, 2007**

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June 27, 2008

**Independent Auditor's Report**

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

Members of the Board:

We have audited the accompanying statements of financial position of

**Family Service of Greater Baton Rouge**
**(A Non-Profit Organization)**
**Baton Rouge, Louisiana**

as of December 31, 2007 and 2006, and the related statements of activities and changes in net assets, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United Stated of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide 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 Family Service of Greater Baton Rouge, as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years 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 June 27, 2008, on our consideration of Family Service of Greater Baton Rouge's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

**Family Service of Greater Baton Rouge**
**Statements of Financial Position**
**December 31, 2007 and 2006**

## Assets

| | 2007 | 2006 |
|---|---|---|
| **Current Assets** | | |
| Cash and cash equivalents | $1,084,628 | $1,940,263 |
| Restricted cash | 158,573 | 115,340 |
| Investments | 6,030 | 6,541 |
| Receivables | | |
| Service fees | 8,304 | 4,299 |
| Grants | 553,142 | 277,870 |
| Contributions | 1,300 | 37,550 |
| Ways to Work Family Loan Program | 20,532 | 7,683 |
| Other | 870 | 1,580 |
| Prepaid pension cost | | 139,859 |
| Other prepaid expenses | 16,896 | 19,716 |
| Total current assets | 1,850,275 | 2,550,701 |
| **Fixed Assets - Net of Accumulated Depreciation** | 1,015,061 | 1,021,019 |
| **Deposits** | 2,300 | 2,300 |
| Total assets | 2,867,636 | 3,574,020 |

## Liabilities and Net Assets

| | 2007 | 2006 |
|---|---|---|
| **Current Liabilities** | | |
| Accounts payable | 22,559 | 34,711 |
| Accrued pension liability | 195,807 | |
| Other accrued liabilities | 109,444 | 121,501 |
| Deferred revenue | 607,301 | 607,381 |
| Total current liabilities | 935,111 | 763,593 |
| **Long-Term Liabilities** | | |
| Notes payable | 200,000 | 300,000 |
| Total liabilities | 1,135,111 | 1,063,593 |
| **Net Assets** | | |
| Unrestricted | 1,608,413 | 2,269,882 |
| Temporarily restricted | 124,112 | 240,545 |
| Total net assets | 1,732,525 | 2,510,427 |
| Total liabilities and net assets | 2,867,636 | 3,574,020 |

The accompanying notes are an integral part of these statements.

## Family Service of Greater Baton Rouge
## Statements of Activities and Changes in Net Assets
## Years Ended December 31, 2007 and 2006

| | December 31, 2007 | | | December 31, 2006 | | |
|---|---|---|---|---|---|---|
| Revenue | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Public support | | | | | | |
| United Way | $420,828 | | $420,828 | $420,828 | | $420,828 |
| Contributions/fund raising | 71,010 | $14,927 | 85,937 | 64,989 | $27,462 | 92,451 |
| Service fees | 80,759 | | 80,759 | 66,912 | | 66,912 |
| Parenting Center fees | 5,019 | | 5,019 | 6,284 | | 6,284 |
| Interest | 81,631 | 1,590 | 83,221 | 85,150 | 6,458 | 91,608 |
| Independent Living Program | 237,444 | | 237,444 | 339,930 | | 339,930 |
| Workshops | 15,903 | | 15,903 | | | |
| Children's Trust Fund | 13,642 | | 13,642 | 24,039 | | 24,039 |
| HIV Prevention Grant | 146,376 | | 146,376 | 155,868 | | 155,868 |
| Title I Coordination | 704,877 | | 704,877 | 719,501 | | 719,501 |
| Title IV Women and Children | 418,596 | | 418,596 | 371,892 | | 371,892 |
| Ways to Work Family Loan Program | 68,731 | | 68,731 | 93,411 | | 93,411 |
| Public grants | 226,209 | | 226,209 | 308,967 | | 308,967 |
| Education in Training Vouchers | 78,672 | | 78,672 | | | |
| Mental Health consulting | 106,893 | | 106,893 | | | |
| Quality Rating Scale | 143,929 | | 143,929 | | | |
| In-Kind contribution | 5,140 | | 5,140 | 12,400 | | 12,400 |
| Other | 40,652 | | 40,652 | 11,402 | | 11,402 |
| | 2,866,311 | 16,517 | 2,882,828 | 2,681,573 | 33,920 | 2,715,493 |
| Net assets released from restrictions in satisfaction of program restrictions | 132,950 | (132,950) | | 565,169 | (565,169) | |
| Total revenue, gains and other support | 2,999,261 | (116,433) | 2,882,828 | 3,246,742 | (531,249) | 2,715,493 |
| ***Expenses*** | | | | | | |
| Program Services | | | | | | |
| Counseling Program | 262,929 | | 262,929 | 233,551 | | 233,551 |
| Parenting Center | 337,365 | | 337,365 | 86,180 | | 86,180 |
| HIV Prevention | 165,876 | | 165,876 | 198,669 | | 198,669 |
| Title I Coordination | 790,591 | | 790,591 | 821,686 | | 821,686 |
| Ways to Work Family Loan Program | 358,706 | | 358,706 | 272,989 | | 272,989 |
| Independent Living Program | 345,123 | | 345,123 | 396,024 | | 396,024 |
| Title IV Women and Children | 440,184 | | 440,184 | 390,709 | | 390,709 |
| Supporting services | | | | | | |
| Management and general | 616,001 | | 616,001 | 564,880 | | 564,880 |
| Fund raising | 65,620 | | 65,620 | 39,344 | | 39,344 |
| Total expenses | 3,382,395 | | 3,382,395 | 3,004,032 | | 3,004,032 |

(Continued)

The accompanying notes are an integral part of these statements.

**Family Service of Greater Baton Rouge**
**Statements of Activities and Changes in Net Assets**
**Years Ended December 31, 2007 and 2006**

| | December 31, 2007 | | | December 31, 2006 | | |
|---|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| (Continued) | | | | | | |
| **Decrease in Net Assets** | ($383,134) | ($116,433) | ($499,567) | $242,710 | ($531,249) | ($288,539) |
| **Non-Operating Expenses** | | | | | | |
| Pension related changes other than net periodic pension costs | 278,335 | | 278,335 | | | |
| **Change in Net Assets** | (661,469) | (116,433) | (777,902) | 242,710 | (531,249) | (288,539) |
| **Net Assets, beginning of year** | 2,269,882 | 240,545 | 2,510,427 | 2,027,172 | 771,794 | 2,798,966 |
| **Net Assets, end of year** | 1,608,413 | 124,112 | 1,732,525 | 2,269,882 | 240,545 | 2,510,427 |

The accompanying notes are an integral part of these statements.

# Family Service of Greater Baton Rouge
## Statement of Functional Expenses
## Year Ended December 31, 2007

| | Program Services | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Counseling Program | Parenting Center | HIV Prevention | Title I Coordin-ation | WtWFLP | ILP | Title IV Women and Children | Total Program Services | Fund Raising Expenses | Adminis-trative | 2007 Total Expenses |
| **Salaries and Related Expenses** | | | | | | | | | | | |
| Salaries | $195,422 | $258,851 | $101,026 | $480,223 | $128,793 | $197,845 | $252,472 | $1,614,632 | $43,620 | $282,965 | $1,941,217 |
| Employee fringe benefits | 23,696 | 18,594 | 17,353 | 69,598 | 25,385 | 27,769 | 41,292 | 223,687 | 987 | 127,827 | 352,501 |
| Payroll taxes | 12,645 | 22,479 | 12,899 | 30,450 | 12,731 | 9,835 | 25,493 | 126,532 | 3,186 | 12,062 | 141,780 |
| Total salaries and related expenses | 231,763 | 299,924 | 131,278 | 580,271 | 166,909 | 235,449 | 319,257 | 1,964,851 | 47,793 | 422,854 | 2,435,498 |
| **General Expenses** | | | | | | | | | | | |
| Professional fees | 1,961 | 1,204 | 769 | 2,468 | 17,509 | 6,148 | 5,264 | 35,323 | | 18,675 | 53,998 |
| Supplies | 4,514 | 5,460 | 6,134 | 9,325 | 7,968 | 7,810 | 9,292 | 50,503 | 1,042 | 651 | 52,196 |
| Telephone | 2,761 | 1,573 | 1,611 | 5,970 | 1,660 | 4,332 | 1,994 | 19,901 | 153 | 2,872 | 22,926 |
| Postage | 2,019 | 510 | 4,103 | 1,621 | 1,022 | | 316 | 9,591 | 615 | 3,594 | 13,800 |
| Janitorial and maintenance | 1,586 | 1,364 | 1,365 | 4,615 | 2,464 | 1,174 | 1,915 | 14,483 | 149 | 9,781 | 24,413 |
| Interest expense | | | | | 12,000 | | | 12,000 | | 636 | 12,636 |
| Utilities | 2,994 | 1,224 | 2,282 | 4,945 | 1,617 | 1,733 | 2,718 | 17,513 | 265 | 1,125 | 18,903 |
| Repairs and maintenance of equipment | 1,459 | 890 | 1,751 | 4,672 | 1,642 | 1,113 | 1,956 | 13,483 | 177 | 10,913 | 24,573 |
| Printing and publications | 4,430 | 12,822 | 1,458 | 735 | 447 | 320 | 24,801 | 45,013 | 35 | 4,618 | 49,666 |
| Travel | | | | | | | | | | | |
| Local | 34 | 10,104 | 5,593 | 7,068 | 244 | 5,063 | 8,676 | 36,782 | 225 | 447 | 37,454 |
| Out of town | | 256 | 2,846 | | 349 | 3,762 | 1,819 | 9,032 | | 1,815 | 10,847 |
| Attending conferences | 993 | 202 | 546 | 909 | 210 | 4,942 | 4,611 | 12,413 | 12 | 2,125 | 14,550 |
| Conducting conferences | 6,984 | 1,487 | 42 | 1,392 | 844 | 3,990 | 3,060 | 17,799 | 1,275 | 6,007 | 25,081 |
| Specific assistance | | | 5,021 | 163,152 | | 68,219 | 51,876 | 288,268 | | | 288,268 |
| Membership dues | | | 150 | | | 500 | | 650 | | 400 | 1,050 |
| Miscellaneous | 588 | | 257 | 1,102 | 5,911 | | 1,702 | 9,560 | 8,639 | 45,077 | 63,276 |
| In-Kind expenses | | | | | | | | | 5,140 | | 5,140 |
| Payments to affiliated organization | 501 | 201 | 472 | 1,855 | 652 | 401 | 651 | 4,733 | 100 | 163 | 4,996 |
| Miscellaneous property and equipment | 70 | | | | | | | 70 | | | 70 |
| Insurance | 271 | 143 | 200 | 491 | 191 | 168 | 276 | 1,740 | | 20,901 | 22,641 |
| Bad debts | | | | | 137,066 | | | 137,066 | | | 137,066 |
| Depreciation | | | | | | | | | | 63,347 | 63,347 |
| Total general expenses | 31,165 | 37,440 | 34,600 | 210,320 | 191,796 | 109,675 | 120,927 | 735,923 | 17,827 | 193,147 | 946,897 |
| Total functional expenses | 262,928 | 337,364 | 165,878 | 790,591 | 358,705 | 345,124 | 440,184 | 2,700,774 | 65,620 | 616,001 | 3,382,395 |

The accompanying notes are an integral part of these statements.

# Family Service of Greater Baton Rouge
## Statement of Functional Expenses
## Year Ended December 31, 2006

| | Program Services | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Counseling Program | Parenting Center | HIV Prevention | Title I Coordin-ation | WtWFLP | ILP | Title IV Women and Children | Total Program Services | Fund Raising Expenses | Adminis-trative | 2006 Total Expenses |
| **Salaries and Related Expenses** | | | | | | | | | | | |
| Salaries | $164,021 | $51,318 | $142,131 | $474,735 | $112,017 | $192,959 | $242,286 | $1,379,467 | $14,482 | $316,674 | $1,710,623 |
| Employee fringe benefits | 34,938 | 9,731 | 26,875 | 101,523 | 37,287 | 41,600 | 57,033 | 308,987 | 917 | 3,738 | 313,642 |
| Payroll taxes | 3,782 | 309 | 3,554 | 8,994 | 2,317 | 4,651 | 5,813 | 29,420 | | 91,187 | 120,607 |
| Total salaries and related expenses | 202,741 | 61,358 | 172,560 | 585,252 | 151,621 | 239,210 | 305,132 | 1,717,874 | 15,399 | 411,599 | 2,144,872 |
| **General Expenses** | | | | | | | | | | | |
| Professional fees | 6,023 | 6,997 | 840 | 3,312 | 10,095 | 2,340 | 3,883 | 33,490 | | 25,744 | 59,234 |
| Supplies | 6,946 | 6,163 | 3,160 | 13,571 | 5,284 | 4,609 | 2,646 | 42,379 | 423 | 15,359 | 58,161 |
| Telephone | 4,315 | 713 | 1,739 | 6,578 | 2,375 | 3,434 | 1,677 | 20,831 | 99 | 1,874 | 22,804 |
| Postage | 1,459 | 1,197 | 2,122 | 905 | 481 | 76 | 437 | 6,677 | 1,100 | 3,644 | 11,421 |
| Janitorial and maintenance | 1,626 | 710 | 1,150 | 4,935 | 898 | 661 | 2,004 | 11,984 | 94 | 1,950 | 14,028 |
| Interest expense | | | | | 7,923 | | | 7,923 | | | 7,923 |
| Utilities | 3,085 | 1,153 | 1,760 | 6,650 | 722 | 912 | 3,076 | 17,358 | 228 | 2,893 | 20,479 |
| Lease | | | | | 5,688 | 5,688 | | 11,376 | | 2,275 | 13,651 |
| Repairs and maintenance of equipment | 2,711 | 1,147 | 954 | 2,120 | 1,809 | 1,898 | 1,508 | 12,147 | 338 | 9,066 | 21,551 |
| Printing and publications | 1,863 | 4,057 | 19 | 434 | 373 | | 63 | 6,809 | 685 | 2,176 | 9,670 |
| Travel | | | | | | | | | | | |
| Local | | 7 | 4,870 | 4,349 | 230 | 3,637 | 8,206 | 21,299 | 116 | 1,565 | 22,980 |
| Out of town | 579 | 238 | 2,039 | | | 4,145 | | 7,001 | 329 | 1,105 | 8,435 |
| Attending conferences | 73 | 289 | 1,336 | 1,951 | | 4,356 | 7,594 | 15,599 | 1,068 | 2,079 | 18,746 |
| Conducting conferences | 24 | 1,476 | 443 | 2,862 | 190 | 2,801 | 1,160 | 8,956 | 6,200 | 1,780 | 16,936 |
| Specific assistance | | | 4,707 | 184,547 | | 120,954 | 51,330 | 361,538 | | | 361,538 |
| Membership dues | | | | | | | | | | 500 | 500 |
| Miscellaneous | 530 | | | 35 | 9,477 | 64 | 142 | 10,248 | 800 | 21,278 | 32,326 |
| In-Kind expenses | | | | | | | | | 12,400 | | 12,400 |
| Payments to Affiliated Organization | 578 | 244 | 400 | 1,655 | 649 | 456 | 693 | 4,675 | 42 | 147 | 4,864 |
| Insurance | 998 | 431 | 570 | 2,530 | 1,051 | 783 | 1,158 | 7,521 | 23 | 10,080 | 17,624 |
| Bad debts | | | | | 74,123 | | | 74,123 | | | 74,123 |
| Depreciation | | | | | | | | | | 49,766 | 49,766 |
| Total general expenses | 30,810 | 24,822 | 26,109 | 236,434 | 121,368 | 156,814 | 85,577 | 681,934 | 23,945 | 153,281 | 859,160 |
| Total functional expenses | 233,551 | 86,180 | 198,669 | 821,686 | 272,989 | 396,024 | 390,709 | 2,399,808 | 39,344 | 564,880 | 3,004,032 |

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, 2007 and 2006

| | 2007 | 2006 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Change in net assets | ($777,902) | ($288,539) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 63,347 | 49,766 |
| Bad debt expense | 137,066 | 74,123 |
| Unrealized loss on investments | 511 | (1,078) |
| (Increase) decrease in restricted cash | (43,233) | 55,580 |
| (Increase) decrease in accounts receivable | (242,317) | 122,322 |
| (Increase) decrease in prepaid expenses | 2,820 | 3,523 |
| (Increase) decrease in prepaid pension costs | 139,859 | 9,502 |
| Increase (decrease) in accounts payable | (12,152) | 12,919 |
| Increase (decrease) in accrued pension liability | 195,807 | |
| Increase (decrease) in other accrued liabilities | (12,057) | 58,968 |
| Increase (decrease) in deferred revenue | (80) | 242,496 |
| Net cash provided (used) by operating activities | (548,331) | 339,582 |
| **Cash Flows From Investing Activities** | | |
| (Increase) decrease in loans receivable | (149,915) | (60,433) |
| Purchase of equipment | (57,389) | (537,897) |
| Net cash used by investing activities | (207,304) | (598,330) |
| **Cash Flows From Financing Activities** | | |
| Proceeds from note payable | | 300,000 |
| Payment on note payable | (100,000) | |
| Net cash provided (used) by financing activities | (100,000) | 300,000 |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | (855,635) | 41,252 |
| **Cash and Cash Equivalents**, beginning of year | 1,940,263 | 1,899,011 |
| **Cash and cash Equivalents**, end of year | 1,084,628 | 1,940,263 |
| **Supplemental Disclosure of Cash Flow Information** | | |
| Cash paid during the year for | | |
| Interest | 11,803 | 7,923 |

The accompanying notes are an integral part of these statements.

**Family Service of Greater Baton Rouge**
**Notes to Financial Statements**
**December 31, 2007**

## Note 1-Nature of Operations

The mission of Family Service of Greater Baton Rouge (the Agency) is to support, strengthen and enhance family life in greater Baton Rouge and the surrounding parishes through direct services and positive social actions. The Agency 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 resources that includes United Way, state and local grants, service fees and contributions. The Agency offers a wide range of services:

The Child & Family Counseling Center - service to individuals, couples, and families seeking professional solutions.

Parenting Center - provides workshops, classes and parent consultation on a number of issues from attention deficit hyperactivity disorder (ADHD) to divorce.

HIV Prevention - combines educational programs, counseling and testing services aimed at prevention and early detection of HIV infection.

Title I Coordination & Title IV Women and Children - programs are committed to assisting HIV/AIDS clients in transportation, medication, housing assistance, support groups, mental health, substance abuse counseling and legal services.

Ways to Work Family Loan - provides loans to low income families, helping them to meet work goals and strive for self-sufficiency.

Independent Living Program (ILP) - serves foster youth, transitioning from state custody to independent living. AdoptUSKids is included as a service to connect foster and adoptive families and children.

## Note 2-Significant Accounting Policies

A. Basis of Accounting

The financial statements are presented using the accrual basis of accounting.

B. Basis of Presentation

The Agency has adopted Statement of Financial Accounting Standards ("SFAS") No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. 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) to specified purposes. Permanently restricted net assets are those net assets received with donor-imposed restrictions permanently limiting the Agency's use of the asset. The Agency does not have any permanently restricted net assets.

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

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Cash and Cash Equivalents

The agency considers all highly liquid investments with original maturities of three months or less, and any certificates of deposit that do not contain material early withdrawal penalties, to be cash equivalents.

E. Receivables

Receivables are presented at face value, net of the allowance for doubtful accounts. The allowance for doubtful accounts is established through provisions charged against income and is maintained at a level believed adequate by management to absorb estimated bad debts based on current economic conditions.

F. 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 restriction, donated assets are reported as unrestricted assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met. An allowance for doubtful accounts has been established based on management's assessment of collectibility.

No discount has been recorded for these items because management considers any discount to be insignificant.

G. 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 statement of activities. Dividends and interest income are recorded during the period earned.

H. Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method of depreciation over the useful lives of the assets, which range from 3 - 45 years.

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

## Note 2-Significant Accounting Policies (Continued)

I. 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 that they are received are included in the financial statements as unrestricted contributions. The Agency has no permanently restricted assets.

J. 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. Contributions of catering services of $12,400 are shown as contributions revenue and fund raising expense in the statement of activities for the year ended December 31, 2007.

K. Income Taxes

The Agency is exempt from taxation as a public charity under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation.

L. Advertising

Advertising costs are charged to operations when incurred. There was no advertising expense for 2007 and 2006.

M. Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

## Note 3-Restricted Cash

The Agency has agreements with financial institutions as "banking partners" to handle all new loans for its Ways to Work Family Loan Program. The Agency is required to pledge cash as collateral for loans issued under this program. At December 31, 2007 and 2006, $158,573 and $115,340 were pledged as collateral.

## Note 4-Investments

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

| | 2007 | 2006 |
|---|---|---|
| Equities | $6,030 | $6,541 |

Investment return consists of interest and dividend income, net realized gains on sale of investments, and net appreciation on investments reported gross of related expenses. No gains or losses were realized on investments reported at other than fair value.

## Note 5-Receivables

Receivables are composed of the following:

| | 2007 | 2006 |
|---|---|---|
| **Services Fees** | | |
| Service fee | $8,304 | $4,299 |
| **Grants** | | |
| Title IV Women and Children Grant | 76,812 | 61,136 |
| Independent Living Program | 42,458 | 49,289 |
| Title I Coordination | 182,470 | 112,939 |
| HIV Prevention Program | 55,170 | 52,531 |
| Children's Trust Fund | | 1,975 |
| Education in Training Vouchers Program | 8,810 | |
| Mental Health Consulting Program | 95,827 | |
| Quality Rating Scale Program | 91,595 | |
| | 553,142 | 277,870 |
| **Pledge Receivables** | | |
| Unconditional promise - less than one year | 1,300 | 29,250 |
| Unconditional promise - 1 to 5 years | | 28,300 |
| Less doubtful accounts | | 20,000 |
| | 1,300 | 37,550 |
| **Ways to Work Family Loan Program** | | |
| Loans | 136,882 | 86,216 |
| Less doubtful accounts | 116,350 | 78,533 |
| | 20,532 | 7,683 |

## Note 6-Land, Building and Equipment

Land, building and equipment consists of the following:

| | 2007 | 2006 |
|---|---|---|
| Land | $126,527 | $126,527 |
| Building and improvements | 1,122,253 | 1,088,553 |
| Equipment | 344,515 | 320,826 |
| Automobiles | | 10,154 |
| | 1,593,295 | 1,546,060 |
| Less accumulated depreciation | 578,234 | 525,041 |
| Total land, building and equipment | 1,015,061 | 1,021,019 |

## Note 7-Deferred Revenue

As of December 31, 2007 and 2006, the Agency received $607,301 and $607,381 in grant proceeds that are to be used during 2008 and 2007, respectively.

## Note 8-Notes Payable

| | 2007 | 2006 |
|---|---|---|
| The Agency has a note payable to Ways to Work, Inc. for the purpose of supporting the Family Loan Program. The note requires quarterly interest payments at a rate of 4% and two principal payments due the fourth and fifth year anniversaries of the note. The note is collateralized by a certificate of deposit in the amount of $155,921. | $200,000 | $300,000 |
| Less current maturities | | |
| Notes payable, long-term portion | 200,000 | 300,000 |

Annual future maturities of notes payable, as of December 31, 2007, are as follows:

| | |
|---|---|
| 2010 | $150,000 |
| 2011 | 50,000 |
| | 200,000 |

## Note 9-Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted as follows:

| | 2007 | 2006 |
|---|---|---|
| Women's Support Group | $1,446 | $1,191 |
| Building Fund | 9,048 | 28,077 |
| Ways to Work Family Loan Program (net of loan loss reserves of $116,350 in 2007 and $78,533 in 2006) | 113,618 | 211,277 |
| | 124,112 | 240,545 |

## Note 10-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 adopted the recognition provisions of FASB Statement 158 as of December 31, 2007, which requires that the funded status of defined benefit pension be fully recognized in the balance sheet as an asset (for overfunded plans) or as a liability (for underfunded plans).

Pension expense for the years ended December 31, 2007 and 2006 was $152,004 and $83,248, respectfully.

The following sets forth the plan's funding status and the amounts recognized in the Company's statement of financial position at December 31, 2007 and 2006 as prepared by Mutual of America.

**Note 10-Pension Plan - Defined Benefit** (Continued)

| | 2007 | 2006 |
|---|---|---|
| **Funded Status** | | |
| Benefit obligations at December 31 | $1,305,894 | $1,421,110 |
| Fair value of Plan assets at December 31 | (1,110,087) | (1,343,832) |
| Funded status (deficit) | (195,807) | (77,278) |
| Prepaid (accrued) benefit cost recognized in the Statement of Financial Position | 82,528 | 139,859 |
| **Assumptions as of December 31** | | |
| Discount rate | 5.75% | 5.75% |
| Expected long-term rate of return on plan assets | 8.50% | 8.50% |
| Rate of compensation increase per year | 5.00% | 5.00% |
| **Other Data** | | |
| Net periodic benefit cost | 152,004 | 83,248 |
| Employer contribution | 88,067 | 73,746 |
| Employee contribution | None | None |
| Benefits paid | 378,575 | 21,250 |

Expected Future Benefit Payments

The Agency expects to contribute approximately $120,000 to the plan in 2008. Benefits expected to be paid during the ensuing five years at December 31st and thereafter, are approximately as follows:

| Fiscal Year Beginning | |
|---|---|
| January 1, 2008 | $69,000 |
| January 1, 2009 | 19,000 |
| January 1, 2010 | 15,000 |
| January 1, 2011 | 157,000 |
| January 1, 2012 | 5,000 |
| 01/01/2013 to 01/01/2017 | 1,509,000 |

Plan Assets by Category

| | As of December 31, 2007 | | As of December 31, 2006 | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| Equity | $1,092,884 | 98.45% | $1,048,381 | 78.01% |
| Fixed income | 2,650 | 0.24% | $280,394 | 20.87% |
| General accounts | 14,553 | 1.31% | 15,057 | 1.12% |
| Total | 1,110,087 | 100.00% | 1,343,832 | 100.00% |

The Agency's investment strategy is a long-term investment mix of common stocks and fixed income investments which include bonds and cash equivalents. Investment mix is managed to maximize returns on plan assets.

**Note 11-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 amounts of pension expense under this plan were $10,179 and $9,310 for the years ended December 31, 2007 and 2006, respectively.

**Note 12-Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement 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.

**Note 13-Concentration of Credit Risk**

At various times during the year, cash and cash equivalents on deposit with one banking institution exceeded the $100,000 insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the institution on a regular basis, along with its balances in cash and cash equivalents, to minimize potential risk.

**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 Organization receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Organization will receive in the next fiscal year.

**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 Organization 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-Guarantees**

The Ways to Work Family Loan Program's purpose is to provide loans for automobile purchases and repairs to individuals unable to qualify for traditional financing. The Agency partnered with LA DOTD Federal Credit Union to facilitate the loan process. LA DOTD 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. As of December 31, 2007, the maximum amount payable under such guarantees is $435,005. The total of loans purchased in 2007 was $142,647.

**Supplementary Information**

**Family Service of Greater Baton Rouge**
**Schedule of Expenditures of Federal Awards**
**Year Ended December 31, 2007**

**Note 1-Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal expenditures of the 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". Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Disburse-ments/ Expenditures |
|---|---|---|
| Department of Health and Human Services/ | | |
| Louisiana Department of Health and Hospitals: | | |
| HIV Prevention Program | 93.941 | $146,376 |
| Department of Health and Human Services/ | | |
| HIV/AIDS Alliance for Region Two, Inc.: | | |
| Title I Coordination (Ryan White)* | 93.917 | 704,877 |
| Department of Health and Human Services/Louisiana | | |
| Department of Social Services/Office of Community Services: | | |
| Title IV Women and Children Grant | 93.153 | 418,596 |
| Independent Living Program (Contracts A and B) | 93.599 | 240,600 |
| Department of Transportation/Job Access Reverse | | |
| Program/Ways to Work, Inc.: | | |
| Family Loan Program | 20.516 | 14,885 |
| Department of Housing and Urban Development/Community | | |
| Development Block Grant/Entitlement Grant | | |
| Family Loan Program | 14.218 | 53,845 |
| | | 1,579,179 |

*Denotes major program

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

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CERTIFIED PUBLIC ACCOUNTANTS

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June 27, 2008

**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

Members of the Board:

We have audited the financial statements of Family Service of Greater Baton Rouge as of and for the year ended December 31, 2007, and have issued our report thereon dated June 27, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Family Service of Greater Baton Rouge's internal control over financial reporting in order to determine our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Family Service of Greater Baton Rouge's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2007-1 and 2007-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Family Service of Greater Baton Rouge's financial statements are free of 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*.

This report in intended solely for the information and use of the Board of Directors, management, the Louisiana Legislative Auditor and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513 this report is distributed by the Legislative Auditor as a public document.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

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

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June 27, 2008

**Report on Compliance with Requirements Applicable to**
***Each Major Program and on Internal Control over Compliance***
**In Accordance with OMB Circular A-133**

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

Members of the Board:

Compliance

We have audited the compliance of Family Service of Greater Baton Rouge (a nonprofit organization) with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 2007. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Family Service of Greater Baton Rouge's management. Our responsibility is to express an opinion on Family Service of Greater Baton Rouge's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination on Family Service of Greater Baton Rouge's compliance with those requirements.

In our opinion, Family Service of Greater Baton Rouge complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of Family Service of Greater Baton Rouge is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Family Service of Greater Baton Rouge's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-1 through 2007-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompany schedule of findings and questioned costs to be material weaknesses.

Family Service of Greater Baton Rouge's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Family Service of Greater Baton Rouge's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statue 24:513, this report is distributed by the Legislative Auditor as a public document.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

**Family Service of Greater Baton Rouge**
**Schedule of Findings and Questioned Costs**
**Year Ended December 31, 2007**

## SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Family Service of Greater Baton Rouge.

2. Two significant deficiencies disclosed during the audit of the financial statements were reported in the 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*.

3. No instances of noncompliance material to the financial statements of the Family Service of Greater Baton Rouge, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. Two significant deficiencies relating to the audit of the major federal award program are reported in the Report On Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

5. The auditor's report on compliance for the major federal award programs for the Family Service of Greater Baton Rouge expresses an unqualified opinion on its major federal programs.

6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.

7. The program tested as a major program included:

   *Title I Coordination (Ryan White)* 93.917

8. The threshold used for distinguishing between Type A and B programs was $300,000.

9. Family Service of Greater Baton Rouge qualified as a low-risk auditee.

**Family Service of Greater Baton Rouge**
**Schedule of Findings and Questioned Costs**
**Year Ended December 31, 2007**

Findings - Financial Statement Audit

*2007-01 Cash*

Condition

The general ledger was not reconciled with the LA DOTD Federal Credit Union bank statement in a timely fashion. This bank account is for purchases and repayment of loans with the Family Loan Program.

Recommendation

The bank statement should be reconciled to the general ledger monthly.

Management's Response

The LA DOTD Federal Credit Union bank statement has been changed to monthly, effective January 1, 2008. These accounts record the available cash of our Family Loan Program, all buybacks of client loans and deposits of the national Ways to Work program for reimbursement of loans made. A staff member will review and reconcile the bank statement monthly and any adjusting entries will be made by an accountant. This should insure timely reconciliation.

*2007-02 Family Loan Program*

Condition

The Family Loan Program subsidiary ledger is not being reconciled to the general ledger. This is a repeat finding from the prior year.

Recommendation

The subsidiary ledger and the general ledger should be reconciled monthly.

Management's Response

The Family Loan Program subsidiary ledger represents buybacks of client loans. This data is first obtained from the LA DOTD bank statements. At one time the name of the client was on the bank statement but in the fourth quarter of 2007, the names of client buybacks were not being listed with the amounts. This necessitates waiting for the monthly closeouts of the Family Loan Program to determine, based on amounts, which clients became buybacks. With LA DOTD's bank statements being issued monthly, this should speed up the process and insure that the posting is done monthly. Again, one staff member will review and then another will do the posting entries. This should insure timely reconciliation.

**Family Service of Greater Baton Rouge**
**Schedule of Prior Year Findings**
**Year Ended December 31, 2007**

Findings - Financial Statement Audit

*2006-01 Cash*

Condition

During our review of the December 31, 2007 bank reconciliation, we noted several electronic fund transfers (EFT) over 120 days old that had not cleared the bank statement. During further investigation, we found that the outstanding EFTs were double posted to the general ledger.

Recommendation

All bank statement reconciling items which do not clear on the succeeding month's bank statement should be investigated.

Management's Response

When the operating account bank reconciliation occurs each month, the person performing the bank reconciliation will make a note about any outstanding EFTs or large amount checks. A quick review can determine if there is any problem.

This finding was cleared in 2007.

*2006-02 Family Loan Program*

Condition

The Family Loan Program subsidiary ledger is not being reconciled to the general ledger.

Recommendation

The subsidiary ledger and the general ledger should be reconciled monthly.

Management's Response

The Family Loan Program subsidiary ledger is based on numbers created by a third party software. The Family Loan Program employees have indicated that the other software always generates unusual numbers of small amount on each of the loans. This causes the subsidiary ledger to differ from the general ledger which is posted on the basis of bank statements from the loaning banks. An entry will be done each month to balance the subsidiary ledger to the general ledger.

This finding repeats in 2007.

**Family Service of Greater Baton Rouge**
**Schedule of Prior Year Findings**
**Year Ended December 31, 2007**

Findings - Financial Statement Audit (Continued)

*2006-3 Payroll Taxes*

Condition

Family Service of Greater Baton Rouge did not make timely payments in February, 2006 for payroll taxes as required by the Internal Revenue Service. We also noted Family Service of Greater Baton Rouge did not file Form 941 for the first quarter of 2006.

Recommendation

Payroll tax deposits should be timely made and Form 941 should be timely filed as required by the Internal Revenue Service.

Management's Response

An unusual circumstance occurred with the EFT for payroll taxes. Usually payroll taxes are paid timely via EFT. The first quarter Form 941 was mailed in at the appropriate date (a postage receipt indicates that it was mailed on April 14, 2006). However, the IRS did not notify the agency that the Form 941 was not received until 2007. The agency will ensure payment of EFT taxes within two days of payroll check issuance and will mail all quarterly reports with postage receipt indicating the date.

This finding was cleared in 2007.