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FAMILY SERVICE OF GREATER NEW ORLEANS

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION COMPLIANCE AND INTERNAL CONTROLS OVER FINANCIAL REPORTING AND COMPLIANCE IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* AND OMB CIRCULAR A-133

Year Ended June 30, 2004

SPILSBURY, HAMILTON, LEGENDRE & PACIERA
CERTIFIED PUBLIC ACCOUNTANTS

FAMILY SERVICE OF GREATER NEW ORLEANS

Year Ended June 30, 2004

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SPILSBURY, HAMILTON, LEGENDRE & PACIERA

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KEITH T. HAMILTON, C.P.A. (1932-2003)
LEROY P. LEGENDRE, C.P.A. (Retired)

INDEPENDENT AUDITOR'S REPORT

President and Board of Directors
Family Service of Greater New Orleans
New Orleans, Louisiana

We have audited the accompanying statement of financial position of Family Service of Greater New Orleans (a nonprofit organization) ("Family Service") as of June 30, 2004, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Family Service's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Family Service's 2003 financial statements and, in our report dated October 28, 2003, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Service of Greater New Orleans as of June 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2004, on our consideration of Family Service of Greater New Orleans' internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Revenue and Expenses - United Way Budget Format is presented for purposes of additional analysis and is not a required part of the financial statements of Family Service of Greater New Orleans. 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 also not a required part of the financial statements of Family Service of Greater New Orleans. 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.

Spilsbury, Hamilton, Legendre & Paciera

November 2, 2004

FAMILY SERVICE OF GREATER NEW ORLEANS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004
With Summarized Financial Information
at June 30, 2003

	2004	2003
ASSETS		
Cash and cash equivalents	$ 492,395	$ 409,690
Accounts receivable	303,728	246,655
Contributions receivable	601,493	644,388
Prepaid expenses	5,021	11,469
Cash equivalents restricted to investment in property and equipment	9,520	13,003
Equipment	317,203	312,779
Leasehold improvements	165,720	165,720
Accumulated depreciation	(322,326)	(276,790)
Deposits	4,594	4,594
Investments	78,812	75,401
Cash equivalents restricted for permanent endowment	33,480	33,408
Beneficial interest in assets held by others	30,820	30,820
Total Assets	$1,720,460	$1,671,137
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 85,607	$ 121,636
Accrued salaries	25,941	21,374
Accrued vacation	54,091	83,300
Deferred revenue	2,500	24,375
Refundable advances	85,272	85,272
Total Liabilities	253,411	335,957
Net Assets:		
Unrestricted net assets	724,308	553,549
Temporarily restricted net assets	678,461	717,351
Permanently restricted net assets	64,280	64,280
Total Net Assets	1,467,049	1,335,180
Total Liabilities and Net Assets	$1,720,460	$1,671,137

See accompanying notes to financial statements.

FAMILY SERVICE OF GREATER NEW ORLEANS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004
With Summarized Financial Information
for the Year Ended June 30, 2003

	Unrestricted
SUPPORT AND REVENUE	
Contributions	$ 18,989
Private grants	0
Fees and grants from governmental agencies	1,961,602
Program service fees	399,426
Fund-raising revenue	77,858
Interest income	5,302
United Way allocations and designations	15,577
Miscellaneous revenue	896
Net assets released from restrictions	661,598
Total Support and Revenue	3,141,248
EXPENSES	
Program services:	
Counseling	1,470,065
At-Risk Children and Youth	744,819
Family and Individual Support	453,902
	2,668,786
Supporting services:	
Fund-raising and development	108,597
Management and general	193,106
	301,703
Total Expenses	2,970,489
INCREASE (DECREASE) NET ASSETS	170,759
NET ASSETS	
Beginning of Year	553,549
End of Year	$ 724,308

See accompanying notes to financial statements.

Temporarily Restricted	Permanently Restricted	2004 Total	2003 Total
$ 0	$ 0	$ 18,989	$ 26,250
43,215	0	43,215	67,251
0	0	1,961,602	1,920,758
0	0	399,426	345,435
0	0	77,858	72,140
0	0	5,302	2,185
579,493	0	595,070	657,252
0	0	896	2,914
(661,598)	0	0	0
(38,890)	0	3,102,358	3,094,185
0	0	1,470,065	1,565,104
0	0	744,819	795,578
0	0	453,902	471,765
0	0	2,668,786	2,832,447
0	0	108,597	83,009
0	0	193,106	262,322
0	0	301,703	345,331
0	0	2,970,489	3,177,778
(38,890)	0	131,869	(83,593)
717,351	64,280	1,335,180	1,418,773
$678,461	$64,280	$1,467,049	$1,335,180

FAMILY SERVICE OF GREATER NEW ORLEANS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2004
With Summarized Financial Information
for the Year Ended June 30, 2003

	Counseling	At-Risk Children and Youth	Family and Individual Support
Salaries	$ 987,190	$360,122	$259,120
Employee benefits	79,403	24,564	23,482
Payroll taxes	86,264	20,438	19,928
Total Employee Compensation	1,152,857	405,124	302,530
Bad debts	0	0	0
Bank charges	70	60	12
Conferences and meetings	6,904	2,758	6,410
Depreciation	38,171	10,364	9,289
Equipment repairs and maintenance	13,532	7,019	2,596
Insurance	5,601	1,154	1,036
Miscellaneous	2,830	367	1,029
National dues	8,321	2,343	2,223
Occupancy	122,871	46,484	39,193
Postage and shipping	7,575	1,638	1,595
Printing and publications	8,309	548	2,086
Professional fees	32,681	203,436	11,323
Routine staff travel	3,289	15,296	5,659
Specific assistance	668	10,022	42,279
Supplies	37,965	21,138	18,341
Telephone	28,421	17,068	8,301
Total Expenses	$1,470,065	$744,819	$453,902

See accompanying notes to financial statements.

Total Program Services	Fund-raising and Development	Management and General	Total Supporting Services	Total Program and Supporting Services Expenses 2004	Total Program and Supporting Services Expenses 2003
$1,606,432	$ 41,275	$112,336	$153,611	$1,760,043	$1,888,890
127,449	2,181	142	2,323	129,772	143,660
126,630	6,474	15,456	21,930	148,560	149,073
1,860,511	49,930	127,934	177,864	2,038,375	2,181,623
0	0	6,509	6,509	6,509	5,025
142	2	192	194	336	0
16,072	19,430	1,911	21,341	37,413	27,140
57,824	3,966	6,659	10,625	68,449	73,094
23,147	985	1,384	2,369	25,516	24,764
7,791	316	1,004	1,320	9,111	7,929
4,226	530	10,631	11,161	15,387	6,800
12,887	863	1,405	2,268	15,155	5,355
208,548	11,521	16,712	28,233	236,781	252,442
10,808	2,801	1,032	3,833	14,641	14,056
10,943	10,409	1,700	12,109	23,052	21,732
247,440	2,088	5,962	8,050	255,490	308,890
24,244	246	849	1,095	25,339	26,708
52,969	0	0	0	52,969	23,736
77,444	3,689	5,754	9,443	86,887	134,139
53,790	1,821	3,468	5,289	59,079	64,345
$2,668,786	$108,597	$193,106	$301,703	$2,970,489	$3,177,778

FAMILY SERVICE OF GREATER NEW ORLEANS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004
With Summarized Financial Information
for the Year Ended June 30, 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$131,869	$(83,593)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	68,449	73,094
Contributions restricted for purchasing property and equipment	0	(5,000)
(Increase) decrease in assets:		
Accounts receivable	(57,073)	93,549
Contribution receivable	42,896	32,024
Prepaid expenses and deposits	6,447	6,832
Increase (decrease) in liabilities:		
Accounts payable	(42,176)	(32,939)
Accrued salaries	4,567	0
Accrued vacation	(29,209)	19,406
Deferred revenue	(21,875)	24,375
Refundable advances	0	85,272
Net Cash Provided by Operating Activities	103,895	213,020
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in cash equivalents restricted for investment in property and equipment	3,483	6,008
Purchase of investments	(3,411)	(1,886)
Purchase of property and equipment	(21,190)	(8,324)
(Increase) in cash equivalents restricted for permanent endowment	(72)	(4,122)
Net Cash (Used for) Investing Activities	(21,190)	(8,324)

See accompanying notes to financial statements.

FAMILY SERVICE OF GREATER NEW ORLEANS
STATEMENT OF CASH FLOWS
(Continued)
YEAR ENDED JUNE 30, 2004
With Summarized Financial Information
for the Year Ended June 30, 2003

	2004	2003
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for purchasing property and equipment	$ 0	$ 5,000
Net Cash Provided by Financing Activities	0	5,000
Net Increase in Cash and Cash Equivalents	82,705	209,696
Cash and Cash Equivalents -		
Beginning of Year	409,690	199,994
End of Year	$492,395	$409,690

Supplemental Schedule of Cash Flow Information

	2004	2003
Cash paid during the year for:		
Interest	$ 0	$ 0
Income taxes	$ 0	$ 0

See accompanying notes to financial statements.

A. Description of Organization

Family Service of Greater New Orleans ("Family Service"), a non-profit organization, is a member agency of the Alliance for Children and Families, and is a United Way Agency. Its principal programs include: (1) counseling individuals and families; (2) at-risk children and youth programs; and (3) family and individual support programs.

Family Service is exempt from income tax under Section 501(c)(3) of the U. S. Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code.

B. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

Family Service prepares its financial statements on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, Family Service 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.

Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2003, from which the summarized information was derived.

Summary of Significant Accounting Policies (Cont'd)

Cash and Cash Equivalents

For the purposes of the statements of cash flows, Family Service considers all unrestricted highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable and Bad Debts

Family Service uses the specific write-off method of accounting for bad debts which recognizes bad debt expense at the time the account is deemed worthless. Therefore, an allowance for doubtful accounts is not reflected in these financial statements because management believes that all accounts are collectible.

Generally accepted accounting principles require that accounts receivable be reported at their present realizable cash value. Therefore, the allowance method of recovering bad debts is the preferred method of accounting, except as in this case when the difference between the two methods is immaterial.

Investments

Family Service records its investments in accordance with SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in unrestricted or temporarily restricted net assets, depending on whether or not there are donor-imposed restrictions on the gains and losses.

Equipment and Leasehold Improvements

Equipment and leasehold improvements greater than $1,000 are capitalized at their purchase price, or, in the case of a contributed asset, at the estimated fair market value at the date of receipt.

Summary of Significant Accounting Policies (Cont'd)

Equipment and Leasehold Improvements (Cont'd)

Depreciation is computed using the straight-line method over the following estimated lives:

Equipment	5 years
Leasehold improvements	10 years

Under certain cost reimbursement contracts with the State of Louisiana, Family Service is allowed to purchase equipment over $1,000, subject to the provision that upon the termination of the contract this equipment may be claimed by the state. As a result, in conformity with the contract provisions, Family Service has expensed these items in the year of the purchase since the contracts terminate within one to two years. Included in expenses for fiscal year 2004 is $15,770 of equipment purchases under these cost reimbursement contracts.

Net Assets

Net assets are included in one of the following three classes of net assets, depending on the presence and type of donor-imposed restrictions.

Unrestricted Net Assets - Those net assets whose use is not restricted by donors.

Temporarily Restricted Net Assets - Those net assets whose use by Family Service has been limited by donors (a) to later periods of time or after specified dates, or (b) to specific purposes.

Permanently Restricted Net Assets - Those net assets that must be maintained in perpetuity due to donor-imposed restrictions that will neither expire with the passage of time nor be removed by meeting certain requirements.

Contributions

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

Summary of Significant Accounting Policies (Cont'd)

Contributions (Cont'd)

Donor support in the form of cash and other assets is reported as restricted support if it is received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Family Service reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Family Service reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Family Service recognizes contributed services at their fair value that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the *Statement of Activities*. Accordingly, certain costs have been allocated among programs and supporting services benefitted.

C. Contributions Receivable

The contributions receivable at June 30, 2004 are categorized by source as follows.

Private grants	$ 22,000
United Way allocations	579,493
Total	$601,493

Receivable in less than one year	$587,493
Receivable in one to five years	14,000
Total	$601,493

No discount or allowance for uncollectible amounts has been recorded for these items because management considers all collectible amounts and any discount to be insignificant.

D. Investments

Investments in equity securities with readily determinable fair market values and all investments in debt securities are stated at fair value, which is based on quoted market prices for those investments.

The values of the investments by classification of net assets at June 30, 2004 are as follows.

Temporarily restricted	$48,012
Permanently restricted	30,800
Total Investments	$78,812

The value of the investments by asset type at June 30, 2004 are as follows.

Certificates of deposit	$60,264
Corporate bonds	18,548
Total Investments	$78,812

E. Equipment and Leasehold Improvements

Equipment and leasehold improvements consist of the following.

Equipment	$317,203
Leasehold improvements	165,720
Less: Accumulated depreciation	(322,326)
	$160,597

In 2004, depreciation expense was $68,449.

F. Beneficial Interest in Assets Held by Others

Family Service has two endowment funds at the Greater New Orleans Foundation ("GNOF"). Under their agreement, annual distributions will be made to Family Service, subject to GNOF's spending policy. The agreement also grants GNOF the power to substitute another beneficiary in place of Family Service if its Board of Trustees determines that Family Service has become unnecessary, obsolete, incapable of fulfillment, impractical or inconsistent with the community's charitable needs. Therefore, since variance power was granted to GNOF, contributions and interest earned on these endowment funds will only be recognized as income when they are distributed to Family Service.

These endowment funds, totaling $30,820, are reported in the *Statement of Financial Position* as the Beneficial Interest in Assets Held by Others and are included in permanently restricted net assets.

G. Retirement Plan

Family Service offers a defined contribution retirement plan for full-time employees over 21 years old having at least one year of service. Contributions to the plan are at the discretion of the Board of Directors. The amounts in a participant's account shall be 100% vested upon the attainment of his normal retirement age or, if earlier, upon meeting the applicable vesting requirements listed below.

Years of Vesting Service	Vesting Percentage
Less than 3	0
3	50
4	75
5	100

In 2004, Family Service contributed $78,053 to the defined contribution retirement plan based on 7.5% of the base salary of the eligible employees.

H. Commitments

Family Service presently conducts its operations at six locations in the Metropolitan New Orleans Area. The locations have operating leases expiring through December 31, 2009.

Rental expense for occupancy amounted to $214,534 for the year ended June 30, 2004. In addition, Family Service has five 60-month operating leases for copy machines. Rental payments under these leases were $13,802 for 2004.

Future minimum commitments under all operating lease agreements are as follows.

2005	$192,626
2006	196,491
2007	185,785
2008	158,361
2009	88,690
	$821,953

I. Concentrations

During fiscal year 2004, Family Service received $595,070 from the United Way, which represents 19% of total support and revenue.

At June 30, 2004, Family Service had a contribution receivable from the United Way totaling $579,493, which represents 34% of total assets.

In addition to the United Way amounts above, during fiscal year 2004, Family Service received $1,154,849 from two contractors, which represents 38% of total support and revenue.

J. Line of Credit

Whitney National Bank ("the Bank") authorized Family Service to borrow up to $50,000. This line of credit matures on March 1, 2005. As collateral, Family Service granted the Bank a continuing security interest in any and all funds that Family Service may now and in the future have on deposit with the Bank. Interest is calculated using the Bank's prime lending rate. At June 30, 2004, there was no balance outstanding under this line of credit.

K. Unrestricted Net Assets

Unrestricted net assets consist of the following:

Board designated net assets:		
Asset replacement	$30,962	
Cash flow reserves	86,039	$117,001
Carrying value after accumulated depreciation of equipment and leasehold improvements		160,597
Net assets available for general activities		446,710
		$724,308

L. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes.

Counseling Program activities:		
United Way		$525,039
At-Risk Children and Youth Program activities:		
United Way	$48,512	
Families and Schools Together	3,678	
St. Bernard programs	4,785	
East Jefferson programs	4,025	
Circle of Security	3,000	64,000
Family and Individual Support Program activities:		
United Way	5,942	
Operation Home Front	3,875	9,817
Hibernia Bank - Clinical Symposium		1,073
Purchases of property and equipment:		
Other		57,532
Time-restricted:		
Reilly Foundation		21,000
		$678,461

Temporarily Restricted Net Assets (Cont'd)

The following temporarily restricted net assets were released from restrictions during 2004 due to the satisfaction of donor restrictions.

Counseling Program expenses:		
United Way		$582,929
At-Risk Children and Youth Program expenses:		
United Way	$53,861	
Families and Schools Together	5,286	
East Jefferson programs	7,510	
St. Bernard Parish programs	1,076	67,733
Family and Individual Support Program expenses:		
United Way	6,598	
New Orleans Public Schools (NOPS)	1,088	
Other	3,250	10,936
		$661,598

M. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is restricted as follows.

Hibernia Bank - Clinical Symposium		$30,000
Available for general activities:		
Capital Campaign contributions	$ 8,850	
Other	25,430	34,280
		$64,280

SUPPLEMENTARY INFORMATION

FAMILY SERVICE OF GREATER NEW ORLEANS
SCHEDULE OF REVENUE AND EXPENSES - UNITED WAY BUDGET FORMAT
YEAR ENDED JUNE 30, 2004

	Agency Total	Supporting Services
REVENUE		
4200 Board-generated self-support	$ 140,063	$ 101,580
4201 Client-generated self-support	399,426	0
5000 Government grants and contract	1,961,602	0
6700 Other revenue	6,198	6,198
Total Self-Generated Revenue	2,507,289	107,778
4702 United Way designations	12,832	12,832
4703 CFC designations	2,744	2,744
Total Revenue	2,522,865	123,354
4701 United Way allocations	643,388	0
Grand Total Revenue	3,166,253	123,354
EXPENSES		
7300 Compensation expenses	2,038,375	177,864
8400 Occupancy	236,781	28,233
8700 Travel and transportation	25,339	1,095
8900 Specific assistance	52,969	0
9402 Board-generated self-support	42,934	42,934
9400 Other direct program/support	505,642	40,952
Grand Total Expenses	2,902,040	291,078
Net Difference	264,213	(167,724)
9500 Depreciation	68,449	10,625

EXPENSE ANALYSIS

Total direct program expenses

Percent of total program expenses

Distribution of supporting services expenses

Grand total program expenses

Unduplicated people served

Cost per person

Note 1: The *Schedule of Revenue and Expenses - United Way Budget Format* is prepared on the accrual basis of accounting, except for the United Way allocations, which are recorded on a cash basis.

Total Program Services	Counseling	At-Risk Children and Youth	Family and Individual Support
	Program Services		
$ 38,483	$ 16,268	$ 18,965	$ 3,250
399,426	387,453	11,973	0
1,961,602	989,449	630,111	342,042
0	0	0	0
2,399,511	1,393,170	661,049	345,292
0	0	0	0
0	0	0	0
2,399,511	1,393,170	661,049	345,292
643,388	582,929	53,862	6,597
3,042,899	1,976,099	714,911	351,889
1,860,511	1,152,857	405,124	302,530
208,548	122,871	46,484	39,193
24,244	3,289	15,296	5,659
52,969	668	10,022	42,279
0	0	0	0
464,690	152,209	257,529	54,952
2,610,962	1,431,894	734,455	444,613
431,937	544,205	(19,544)	(92,724)
57,824	3,817	10,364	9,289
	$1,431,894	$734,455	$444,613
	54.84%	28.13%	17.03%
	$159,632	$81,879	$49,567
	$1,591,526	$816,334	$494,180
	5,989	3,259	1,211
	$265.74	$250.49	$408.08

FAMILY SERVICE OF GREATER NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

Federal Grantor Pass-through Grantor Federal CFDA Program Title Family Service of Greater New Orleans Program Title	Federal CFDA or Other Identifying Number
Department of Health and Human Services	
Passed through Louisiana Department of Social Services	
Promoting Safe and Stable Families	93.556
Child Welfare Family Resource Center/Eastbank	
Child Welfare Family Resource Center/Westbank	
Foster and Adoptive Family Resource Center	
Passed through Volunteers of America of Greater New Orleans	
Promoting Safe and Stable Families	93.556
Volunteers of America of Greater New Orleans Collaborative	
Passed through Louisiana Department of Social Services	
Temporary Assistance for Needy Families	93.558
Families and Schools Together	
Passed through the Louisiana Supreme Court	
Passed through Orleans Parish Criminal Court	
Temporary Assistance for Needy Families	93.558
Drug Court	
Passed through Louisiana Department of Social Services	
Community-Based Family Resource and Support Grants	93.590
Families and Schools Together, and Active Parenting	
Adoption Opportunities	93.652
Foster Adoptive Respite Services	
Foster Care - Title IV-E	93.658
Foster Care (TIPS)	
Positive Youth Development	
Chafee Foster Care	93.674
Independent Living Skills	
Education and Training vouchers	

Pass-through Grantor Number(s)	Federal Expenditures	
587897	$137,184	
587901	194,029	
587895	142,563	
N/A	17,443	$ 491,219
590105	18,491	
N/A	272,088	290,579
600324/600325		33,671
604245		5,939
020001635	20,813	
594571	11,929	32,742
567341	122,789	
601442	37,039	159,828

FAMILY SERVICE OF GREATER NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
YEAR ENDED JUNE 30, 2004

Federal Grantor Pass-through Grantor Federal CFDA Program Title Family Service of Greater New Orleans Program Title	Federal CFDA or Other Identifying Number
Department of Justice	
United States Probation Office	
Community Care Services	053-L-01-02 053-L-01-03 053-L-04-02
Pretrial Services	053-L-01-04 053-L-02-04
Federal Bureau of Prisons	
Bureau of Prisons	08-5026
Passed through Louisiana Commission on Law Enforcement	
Crime Victim Assistance	16.575
Domestic Violence Counseling Program	
Victims Assistance Program	
Child Sexual Abuse Counseling Program	
Victim Outreach Program	
Passed through Volunteers of America of Greater New Orleans	
Crime Victim Assistance	16.575
Domestic Violence Counseling Program	
Department of Labor	
Passed through Tulane University	
WIA Youth Activities	17.259
Youth Services	
Total Expenditures of Federal Awards	

Pass-through Grantor Number(s)	Federal Expenditures	
N/A	$189,643	
N/A	64,094	$ 253,737
N/A		43,243
C03-9-005/C02-9-006	54,860	
C03-7-020/C02-7-003	50,133	
C03-7-002/C02-7-002	6,865	
C02-7-016	25,047	
N/A	8,036	144,941
N/A		33,743
		$1,489,642

FAMILY SERVICE OF GREATER NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
YEAR ENDED JUNE 30, 2004

NOTE 1: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

NOTE 2: Of the federal expenditures presented in the schedule, Family Service of Greater New Orleans provided federal awards to subrecipients as follows.

Program Title	Federal CFDA Number	Subrecipient's Name	Amount
Promoting Safe and Stable Families	93.556	Volunteers of America of Greater New Orleans	$122,646
		Kingsley House	43,513
		Center for Change	38,039
		Various transportation agencies	14,646
			$218,844

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

President and Board of Directors
Family Service of Greater New Orleans
New Orleans, Louisiana

We have audited the financial statements of Family Service of Greater New Orleans (a non-profit organization)("Family Service") as of and for the year ended June 30, 2004, and have issued our report thereon dated November 2, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Family Service's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of Family Service in a separate letter dated November 2, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Family Service's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Family Service in a separate letter dated November 2, 2004.

This report is intended solely for the information and use of the audit committee, board of directors, others within the organization, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Spilsbury, Hamilton, Legendre + Paciera

November 2, 2004

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

President and Board of Directors
Family Service of Greater New Orleans
New Orleans, Louisiana

Compliance

We have audited the compliance of Family Service of Greater New Orleans (a non-profit organization)("Family Service") 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 its major federal program for the year ended June 30, 2004. Family Service's major federal program is 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 its major federal program is the responsibility of Family Service's management. Our responsibility is to express an opinion on Family Service's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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'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's compliance with those requirements.

In our opinion, Family Service complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

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

Internal Control Over Compliance

The management of Family Service 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's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information and use of the audit committee, board of directors, and others within the organization, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Spilsbury, Hamilton, Legendre & Paciera

November 2, 2004

A. SUMMARY OF AUDITOR'S RESULTS

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

2. No reportable conditions or material weaknesses were identified during the audit of the financial statements.

3. No instances of noncompliance material to the financial statements of Family Service of Greater New Orleans were disclosed during the audit.

4. No reportable conditions or material weaknesses were identified during the audit of the major federal award program.

5. The auditor's report on compliance for the major federal award program for Family Service of Greater New Orleans expresses an unqualified opinion.

6. There were no audit findings relative to the major federal award program for Family Service of Greater New Orleans.

7. The program tested as a major program was:

   CFDA #93.556 Promoting Safe and Stable Families

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

9. Family Service of Greater New Orleans was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

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(Retired)

November 2, 2004

Family Service of Greater New Orleans
2515 Canal Street
New Orleans, LA 70119

In planning and performing our audit of the financial statements of Family Service of Greater New Orleans ("Family Service") for the year ended June 30, 2004, we considered Family Service's internal control in order to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on Family Service's internal control in our report dated November 2, 2004. This letter does not affect our report dated November 2, 2004 on the financial statements of Family Service.

Our comments and suggestions regarding those matters are summarized as follows.

ADJUSTING JOURNAL ENTRIES

Nine adjusting journal entries were necessary to properly state the Organization's financial statements at June 30, 2004. These journal entries were required to convert various revenue and expense accounts from cash to accrual basis (5), to record the sub-recipients' portion of contracts where the Organization serves as the lead agency (1), to correct various posting errors (2), and to write off property disposals (1).

The number of adjustments required decreased significantly from the number required in the 2003 audit. However, as Family Service seeks to rely on its internal financial statements and to reduce its audit costs, we recommend that the Organization consider recording all transactions in accordance with U.S. generally accepted accounting principles. In this manner, the final audited financial statements will be more comparable to the internal financial statements prepared by the accounting department.

COMPLIANCE TESTING OF BILLS

During Our testing of the February 2004 billing for the Family Preservation contract for the Westbank location, we noted a clerical error of $192.72. This error caused the intake portion of fringe benefits to be overcharged. It appears that this error was caused because an amount was not cleared from the accountant's adding machine. We recommend that review procedures of these bills be analyzed and/or implemented to make sure that clerical errors such as this will be eliminated.

ACCRUAL BASIS OF ACCOUNTING - SUB-RECIPIENTS AND PASS-THROUGHS

Although the year-end audited financial statements reflect the activity of the sub-recipients and pass through organizations in the statement of activities, Family Service had netted some of the activity for these organizations in balance sheet accounts. Because Family Service is the lead agency, these amounts should be reflected in their revenue and expenses. The total for both the sub-recipient portion and the Family Service portion are required to be reported on the schedule of federal expenditures in accordance with OMB A-133. Also, recording 100% of the transactions in the appropriate accounts on an accrual basis provides more meaningful financial information. We understand that Family Service began recording these amounts in November 2003, and that our audit adjustment relates to July through October 2003. We suggest that Family Service continue to record all the activity in the appropriate income and expense accounts using the accrual method of accounting. This will reduce audit analysis and provide internally generated information that is consistent with the ending audited amounts.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with the various personnel of Family Service, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

Spilsbury, Hamilton, Legendre & Paciera

SPILSBURY, HAMILTON, LEGENDRE AND PACIERA
Certified Public Accountants

FSGNO

FAMILY SERVICE
OF GREATER NEW ORLEANS

Changing our world one family at a time
• for 100 years •

FSGNO

DATE: **December 22, 2004**

TO: **FSGNO Operating and Administrative Committee**

FROM: **Larry Taggart**
Senior Vice President, Finance and Administration Larry Taggart

RE: **Response to Auditors Comments – Fiscal Year 2004 Audit**

The following are our responses to the auditor's three comments made in conjunction with the Fiscal Year 2004 audit:

Adjusting Journal Entries

Comment:
Nine adjusting journal entries were necessary to properly state the Organization's financial statements at June 30, 2004. These journal entries were required to convert various revenue and expense accounts from cash to accrual basis (5), to record the sub-recipients' portion of contracts where the Organization serves as the lead agency (1), to correct various posting errors (2), and to write off property disposals (1).

Recommendation:
The number of adjustments required decreased significantly from the number required in the 2003 audit. However, as Family Service seeks to rely on its internal financial statements and to reduce its audit costs, we recommend that the Organization consider recording all transactions in accordance with U.S. generally accepted accounting principles. In this manner, the final audited financial statements will be more comparable to the internal financial statements prepared by the accounting department.

> ***Response:***
> *As best as possible, it continues to be our intent to prepare and/or post adjusting entries internally prior to the annual audit.*

Compliance Testing of Bills

Comment:
During Our testing of the February 2004 billing for the Family Preservation contract for the Westbank location, we noted a clerical error of $192.72. This error caused the intake portion of fringe benefits to be overcharged. It appears that this error was caused because an amount was not cleared from the accountant's adding machine.

Recommendation:
We recommend that review procedures of these bills be analyzed and/or implemented to make sure that clerical errors such as this will be eliminated.

> ***Response:***
> *All staff have been instructed to clear calculators and adding machines before use, and to "re-verify" all calculations. We will also implement a "reasonableness" review for accuracy.*

Accrual Basis of Accounting – Sub-Recipients and Pass-Throughs

Comment:
Although the year-end audited financial statements reflect the activity of the sub-recipients and pass through organizations in the statement of activities, Family Service had netted some of the activity for these organizations in balance sheet accounts. Because Family Service is the lead agency, these amounts should be reflected in their revenue and expenses. The total for both the sub-recipient portion and the Family Service portion are required to be reported on the schedule of federal expenditures in accordance with OMB A-133. Also, recording 100% of the transactions in the appropriate accounts on an accrual basis provides more meaningful financial information.

Recommendation:
We understand that Family Service began recording these amounts in November 2003, and that our audit adjustment relates to July through October 2003. We suggest that Family Service continue to record all the activity in the appropriate income and expense accounts using the accrual method of accounting. This will reduce audit analysis and provide internally generated information that is consistent with the ending audited amounts.

Response:
As noted above, the recommended process was put into effect in November of 2003.

Please let me know if you have questions on any of the above.