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Human Services Foundation, Inc.
Baton Rouge, Louisiana

*Financial Statements
and Supplementary Information*

Year Ended December 31, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9-26-07

Johnston & Hayden, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Program Director
Human Services Foundation, Inc.
Baton Rouge, Louisiana

We have audited the accompanying statements of assets, liabilities and fund equity of Human Services Foundation, Inc., as of December 31, 2006, and the related statements of support and revenue and expenses, changes in fund equity, and cash flows for the year then ended. These financial statements are the responsibility of the Program's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; and provisions of Office Management and Budget Circular A-133, *Audits of Institutions of Higher Education and Other Nonprofit Institutions*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 assets, liabilities and fund equity of Human Services Foundation, Inc., as of December 31, 2006, and the changes in its fund balances and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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.

In accordance with *Government Auditing Standards*, we have also issued our reports dated May 14, 2007, on our consideration of Human Services Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. These reports are an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the auditors' report on the financial statements.

May 14, 2007
(except Note G, as to which
the date is August 30, 2007)

JOHNSTON & HAYDEN, LLC

HUMAN SERVICES FOUNDATION, INC.
Baton Rouge, Louisiana

STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY

December 31, 2006

ASSETS

CURRENT:

Cash and cash equivalents	\$ 12,821
Accounts receivable	<u>730,475</u>
Total Current Assets	<u>743,296</u>

PROPERTY AND EQUIPMENT:

Buildings	14,500
Equipment and furniture	146,288
Land	113,216
Leasehold improvements	31,177
Vehicles	<u>90,327</u>

	395,508
Less accumulated depreciation	<u>265,238</u>

Net Property and Equipment	<u>130,270</u>
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OTHER:

Due from affiliates	<u>694,176</u>
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TOTAL ASSETS \$ 1,567,742

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

LIABILITIES

CURRENT:

Draws against future deposits	\$	126,848
Accounts payable		529,894
Payroll taxes payable		17,703
Line of credit		83,000
Current portion of long-term debt		<u>19,700</u>

Total Current Liabilities		<u>777,145</u>
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LONG-TERM:

Notes payable, less current portion		<u>6,918</u>
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TOTAL LIABILITIES		<u>784,063</u>
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<u>FUND EQUITY</u>		<u>783,679</u>
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TOTAL LIABILITIES AND FUND EQUITY	\$	<u>1,567,742</u>
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HUMAN SERVICES FOUNDATION, INC.
Baton Rouge, Louisiana

STATEMENT OF SUPPORT AND REVENUE AND EXPENSES

Year Ended December 31, 2006

SUPPORT AND REVENUE:

Contracts and grants	\$ 2,044,651
Other	<u>412,419</u>
Total Support and Revenue	<u>2,457,070</u>

EXPENSES:

Program services:

18th JDC program	103,604
21st JDC program	1,561
22nd JDC program	549,584
22nd Juvenile JDC program	66,694
Amite Substance Abuse Center	198,834
Foundation House	68,183
Job Company	644,887
Livingston Parish Substance Abuse Center	<u>412,267</u>

Total Program Services 2,045,614

Support services:

Management and general	359,531
Loss on disposal of assets	<u>3,967</u>

Total Support Services 363,498

Total Expenses 2,409,112

Excess (Deficiency) of Support and Revenue
Over Expenses

\$ 47,958

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

HUMAN SERVICES FOUNDATION, INC.
Baton Rouge, Louisiana

STATEMENT OF CHANGES IN FUND EQUITY

Year Ended December 31, 2006

FUND EQUITY, beginning of year	\$ 735,721
Excess (deficiency) of support and revenue over expenses	<u>47,958</u>
FUND EQUITY, end of year	\$ <u>783,679</u>

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

HUMAN SERVICES FOUNDATION, INC.
Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS

Year Ended December 31, 2006

CASH FLOW FROM OPERATING ACTIVITIES:	
Net cash provided by operating activities (see Note F)	\$ (<u>42,627</u>)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net borrowings on line of credit	83,000
Principal payments on long-term debt	(21,029)
Advances to affiliates	(8,007)
Advances to officers	(<u>12,249</u>)
Net cash used by financing activities	<u>41,715</u>
NET DECREASE IN CASH	(912)
CASH AND CASH EQUIVALENTS, beginning of year	<u>13,733</u>
CASH AND CASH EQUIVALENTS, end of year	\$ <u><u>12,821</u></u>
Cash payments for interest and income taxes:	
Interest	\$ <u>18,158</u>
Income taxes	\$ <u>-</u>
Noncash investing and financing activities:	
Disposed of property and equipment having a book value of \$ 3,967	

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

HUMAN SERVICES FOUNDATION, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the organization

Human Services Foundation, Inc. (the Foundation) is a non-profit entity established to support various programs providing care and treatment to individuals requiring mental, developmental and rehabilitation services. The Foundation operates a number of programs located in Baton Rouge and New Orleans, Louisiana. These programs include a halfway house to provide care and treatment for alcohol and drug abuse to chemically dependent adolescents, mental health and development diagnosis services, and vocational transition services for foster children between the ages of sixteen and twenty-one.

Method of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the reporting period. The Foundation regularly assesses these estimates and, while actual results could differ, management believes the estimates are reasonable.

Significant estimates included in or affecting the presentation of the accompanying financial statements include provision for doubtful accounts and estimated useful lives of property and equipment.

Cash and cash equivalents

For the purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

HUMAN SERVICES FOUNDATION, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable

Programs are funded primarily through contractual agreements with the State of Louisiana through the Department of Health and Hospitals, Division of Alcohol and Drug Abuse; and grants through the Department of Social Services, Office of Community Services.

As the State of Louisiana is the Foundation's major source of revenue, all receivables are expected to be fully collectible. Therefore, no provision or liability for uncollectible accounts has been recognized in the accompanying financial statements. A significant reduction in the level of support provided by the State of Louisiana, if this were to occur, could have a significant impact on the Foundation activities.

Property and equipment

All property and equipment is stated at cost. Expenditures for maintenance, repairs and minor renewals are charged to earnings when incurred. Major expenditures for renewals and betterments are capitalized and depreciated over their estimated useful life.

As a general rule, when items are retired or otherwise disposed, the accumulated depreciation is reduced by the accumulated amount of depreciation applicable thereto. Any gain or loss from such retirement or disposal is credited or charged to income.

Depreciation

Depreciation is computed on the straight-line and accelerated methods over the following estimated useful lives of the various classes of depreciable assets:

Buildings	31.5 years
Equipment and furniture	5 – 7 years
Leasehold improvements	5 years
Vehicles	5 years

Income taxes

The Foundation is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision or liability for federal or state income taxes has been included in the accompanying financial statements.

HUMAN SERVICES FOUNDATION, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

The Foundation expenses the production costs of advertising the first time the advertising takes place, except direct response advertising, which is capitalized and amortized over its expected period of future benefits. At December 31, 2006, the Foundation had no direct-response advertising classified as assets and all advertising was expensed as incurred.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2006 were as follows:

Cash on hand	\$	200
Cash in bank – checking		<u>12,621</u>
	\$	<u>12,821</u>

Overdrawn cash accounts totaling \$ 126,848 at December 31, 2006 are included as a component of current liabilities in the accompanying financial statements.

NOTE C - RELATED PARTY TRANSACTIONS

Amount due from affiliates at December 31, 2006 represents funds advanced from the Foundation to various entities with which it shares common management, for various reimbursable operating expenses. These loans do not have a determined payment schedule. Management does not anticipate that these receivables will be liquidated within the current period. Amounts due from affiliates at December 31, 2006 were as follows:

Baton Rouge Development Center, Inc.	\$	353,188
Lake Sherwood School		333,281
Professional Rehabilitation Services, Inc.		<u>7,707</u>
	\$	<u>694,176</u>

Accrued interest totaling \$ 52,673 at December 31, 2006 is included in the above amounts. Interest income recognized on these related party receivables totaled \$ 20,695 for the year ended December 31, 2006.

HUMAN SERVICES FOUNDATION, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE C – RELATED PARTY TRANSACTIONS (continued)

During the year ended December 31, 2006, the Foundation liquidated a liability to one of its officers in the amount of \$ 12,249. The Foundation had no outstanding liabilities owed to related parties as of December 31, 2006.

The Foundation rents facilities for its Job Company program from an entity with which it shares common management under an informal operating lease. Rent expense under this lease for the year ended December 31, 2006, was \$ 8,000.

The Foundation utilizes facilities owned by an entity with which it shares common management, at no cost to the Foundation. No rent or depreciation expense is recorded in the accompanying financial statements for such usage.

NOTE D – NOTES PAYABLE

As of December 31, 2006, the Foundation had outstanding balances against a line of credit with a local bank totaling \$ 83,000. This liability is payable in monthly installments of principal and interest at varying rates.

Long-term notes payable at December 31, 2006 were as follows:

7% note payable to a local bank, payable in monthly installments of \$ 1,554, including interest and principal; due to mature in October 2007	\$ 15,106
7% note payable to a local bank; payable in monthly installments of \$ 447, including principal and interest; due to mature in April 2009	<u>11,512</u>
	26,618
Less current portion	<u>19,700</u>
Noncurrent portion	\$ <u>6,918</u>

HUMAN SERVICES FOUNDATION, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE D – NOTES PAYABLE

Future maturities of all notes payable as of December 31, 2006, were as follows:

<u>Year ended</u> <u>December 31,</u>	
2008	\$ 4,848
2009	2,070
2010 and later	<u>-</u>
	\$ <u>6,918</u>

NOTE E – LEASE COMMITMENTS

As discussed in Note C, the Foundation rents facilities for its Job Company program under an informal operating lease from an entity with which it shares common ownership and management. Rent expense under this lease for the year ended December 31, 2006 was \$ 8,000.

The Foundation rents facilities for its Livingston Parish Substance Abuse Center and other programs from unrelated parties under operating leases, which are renewable annually based on operating costs. Rental expense under these operating leases for the year ended December 31, 2006 was \$ 30,100.

HUMAN SERVICES FOUNDATION, INC.
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE F – SUPPLEMENTARY CASH FLOW INFORMATION

Cash flows from operating activities for the year ended December 31, 2006 were as follows:

Excess (deficiency) of revenues over expenses	\$	47,958
Adjustments to reconcile excess (deficiency) of revenues over expense to cash from operating activities:		
Depreciation		5,975
(Gain) loss on disposal of assets		3,967
Accrued interest income	(20,695)
(Increase) decrease in:		
Accounts receivable		488,374
Increase (decrease) in:		
Accounts payable	(325,500)
Draws against future deposits	(151,393)
Other current liabilities	(<u>91,313</u>)
Net cash provided by operating activities	\$	<u>(42,627)</u>

NOTE G – SUBSEQUENT EVENTS

Subsequent to the issuance of the accompanying financial statements, a report was issued by the Louisiana Legislative Auditor, dated June 20, 2007, relative to the 22nd Judicial District Court of Louisiana. As part of that report, certain contracts between the 22nd Judicial District Court and the Foundation were addressed, and certain payments under those contracts were questioned. As noted in that report, copies of the report were delivered to the District Attorney for the 22nd Judicial District Court of Louisiana and others as required by law.

As of the date of reissuance of these reports, no action has been taken relative to the Legislative Auditor's report or its findings. The effect of this report and findings on the Foundation and its operations cannot be reasonably determined.

The Foundation's contract with the 22nd Judicial District Court was terminated effective June 30, 2006.

Johnston & Hayden, LLC

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AUDITORS' 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

To the Program Director
Human Services Foundation, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Human Services Foundation, Inc. as of and for the year ended December 31, 2006, and have issued our report thereon dated May 14, 2007. 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 Human Service Foundation, Inc.'s internal control over financial reporting as a basis for designing 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 the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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 a more than 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.

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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Human Services Foundation, Inc.'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 is intended solely for the information and use of management, others within the entity, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

May 14, 2007

JOHNSTON & HAYDEN, LLC

Johnston & Hayden, LLC

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

To the Program Director
Human Services Foundation, Inc.
Baton Rouge, Louisiana

Compliance

We have audited the compliance of Human Services Foundation, Inc., 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, 2006. Human Service Foundation, Inc.'s major federal programs are identified in the summary of auditors' 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 Human Service Foundation, Inc.'s management. Our responsibility is to express an opinion on Human Service Foundation Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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 program occurred. An audit includes examining, on a test basis, evidence about Human Service Foundation, Inc.'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 of Human Services Foundation, Inc.'s compliance with those requirements.

In our opinion, Human Services Foundation, Inc., 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, 2006.

Internal Control Over Compliance

The management of Human Services Foundation, Inc., is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Human Services Foundation, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine 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 the entity's internal control over compliance.

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.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, 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.

JOHNSON & MAYOEN, LLC

May 14, 2007

SUPPLEMENTARY INFORMATION

HUMAN SERVICES FOUNDATION, INC.
Baton Rouge, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2006

<u>Name of Federal Program/Cluster</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services Pass-through Department of Health and Hospitals, Office for Addictive Disorders Federal Block Grants for Alcohol and Drug Abuse	93.959	\$ 662,885

HUMAN SERVICES FOUNDATION, INC.
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2006

Section I – Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Reportable conditions identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes no
- Reportable conditions identified that are not considered to be material weakness? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

HUMAN SERVICES FOUNDATION, INC.
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

Year Ended December 31, 2006

Section I – Summary of Auditors’ Results (continued)

Identification of major programs:

<u>Name of Federal Program/Cluster</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services Pass-through Department of Health and Hospitals, Office of Alcohol and Drug Abuse Federal Block Grants for Alcohol and Drug Abuse	93.959	\$ 662,885

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

Auditee qualified as low-risk auditee? X yes no

HUMAN SERVICES FOUNDATION, INC.
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

Year Ended December 31, 2006

Section II – Financial Statement Findings

There were no findings relating to the financial statements for the year ended December 31, 2006.

HUMAN SERVICES FOUNDATION, INC.
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

Year Ended December 31, 2006

Section III – Federal Award Findings and Questioned Costs

There were no findings or questioned costs relating to Federal awards for the year ended December 31, 2006.

HUMAN SERVICES FOUNDATION, INC.
Baton Rouge, Louisiana

AUDITORS' COMMENTS OF AUDIT RESOLUTION MATTERS
RELATING TO FEDERAL AWARDS

There were no findings or questioned costs in the prior audit report dated June 25, 2006.