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First Steps Referral and Consulting, LLC

Financial Report

Period Ended June 30, 2007

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KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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Conrad O. Chapman, CPA* 2006
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INDEPENDENT AUDITORS' REPORT

First Steps Referral and Consulting, LLC
New Iberia, Louisiana

We have audited the accompanying balance sheet of First Steps Referral and Consulting, LLC (a limited liability company) as of June 30, 2007, and the related statement of income, member's equity, and cash flows for the period then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 First Steps Referral and Consulting, LLC, as of June 30, 2007, and the results of its operations and cash flows for the period 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 October 5, 2007, on our consideration of First Steps Referral and Consulting, LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 should be considered in conjunction with this report in considering the results of our audits.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Organization's basic financial statements. The accompanying schedule of expenditures of federal awards included in the Single Audit Section in the table of contents 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 basic financial statements of First Steps Referral and Consulting, LLC. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
October 5, 2007

FINANCIAL STATEMENTS

FIRST STEPS REFERRAL AND CONSULTING, LLC
New Iberia, Louisiana

Balance Sheet
June 30, 2007

ASSETS

CURRENT ASSETS	
Cash	$ 12,598
Due from Department of Health and Hospitals	108,095
Prepaid expenses	8,862
Total current assets	129,555
PROPERTY, PLANT AND EQUIPMENT, net	10,134
OTHER ASSETS	
Deposits	2,105
TOTAL ASSETS	$ 141,794

LIABILITIES AND MEMBER'S EQUITY

CURRENT LIABILITIES	
Accounts payable	$ 9,610
Loans payable to employees	29,000
Other accrued liabilities	5,796
Total current liabilities	44,406
MEMBER'S EQUITY	97,388
TOTAL LIABILITIES AND MEMBER'S EQUITY	$ 141,794

The accompanying notes are an integral part of this statement.

FIRST STEPS REFERRAL AND CONSULTING, LLC
New Iberia, Louisiana

Statement of Income
For the Thirteen Months Ended June 30, 2007

REVENUE	
Department of Health and Hospitals contract revenue	$ 782,645
EXPENSES	
Administrative cost	50,443
Copier rental	11,936
Depreciation	5,394
Health stipend	48,714
Insurance	15,679
Mailing	11,068
Office rent	19,630
Office supplies	16,522
Payroll taxes	35,045
Professional fees	12,500
Salaries	424,774
Simple IRA plan	11,417
Storage rental	1,025
Telephone and utilities	18,086
Travel	43,763
Total expenses	725,996
Net income before other expenses	56,649
OTHER EXPENSES	
Interest expense	1,930
Loss on disposal	2,791
Total other expenses	4,721
NET INCOME	$ 51,928

The accompanying notes are an integral part of this statement.

FIRST STEPS REFERRAL AND CONSULTING, LLC
New Iberia, Louisiana

Statement of Changes In Member's Equity
For the Thirteen Months Ended June 30, 2007

BALANCE, beginning of year	$ 144,772
Net income	51,928
Member's draws	(99,312)
BALANCE, end of year	$ 97,388

The accompanying notes are an integral part of this statement.

FIRST STEPS REFERRAL AND CONSULTING, LLC
New Iberia, Louisiana

Statement of Cash Flows
For the Thirteen Months Ended June 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$ 51,928
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation	5,394
Loss on disposal of assets	2,791
Changes in operating assets and liabilities -	
Increase in due from Department of Health and Hospitals	(55,324)
Increase in prepaid expenses	(1,820)
Increase in deposits	(20)
Decrease in accounts payable	(616)
Increase in other accrued liabilities	1,324
Net cash provided by operating activities	3,657
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(6,089)
CASH FLOWS FROM FINANCING ACTIVITIES	
Member's drawS	(99,312)
Increase (decrease) in cash and cash equivalents	(101,744)
CASH AND CASH EQUIVALENTS, beginning of period	114,342
CASH AND CASH EQUIVALENTS, end of period	$ 12,598
Supplemental cash flow information:	
Cash paid for interest	$ 1,146

The accompanying notes are an integral part of this statement.

FIRST STEPS REFERRAL AND CONSULTING, LLC
New Iberia, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Nature of Business

First Steps Referral and Consulting, LLC (the Organization) provides System Points of Entry (SPOE) services within the parishes of Allen, Beaugard, Jeff Davis, Lafayette, Iberia, St. Martin, Vermillion, St. Landry, Evangeline, Acadia, Cameron and Calcasieu for Louisiana's early intervention system – Childnet (Part C) and its eligible infants and toddlers from birth to three as regulated under Part C of the Individuals with Disabilities Education Act (IDEA). The Organization began operations in 2003 and is supported almost entirely through contracts with Department of Health and Hospitals.

The Organization changed its year end from May 31st to June 30th. These financial statements include the activity for the period June 1, 2006 through June 30, 2007.

B. Revenue and Expense Recognition

The Organization recognizes revenues as reimbursable expenses incurred under the contracts. Expenses are recognized as they are incurred.

C. Due From Department of Health and Hospitals

The Organization considers amounts due from Department of Health and Hospitals to be fully collectible. Accordingly, no allowance for doubtful accounts is required.

D. Concentration of Credit Risk

All of the Organization's cash is held in one financial institution. The Federal Deposit Insurance Corporation (FDIC) insures up to $100,000 of the cash deposited per institution. At June 30, 2007, First Steps Referral and Consulting, LLC had no uninsured balances.

Contract revenue from Department of Health and Hospitals accounted for all of the Organization's revenues for the period ended June 30, 2007.

E. Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Depreciation is computed using the straight-line method over the useful lives of the assets for financial reporting purposes. Significant additions and betterments are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to operations as incurred. The estimated lives are as follows:

Furniture and fixtures	7 years
Equipment	5 years

F. Cash and Cash Equivalents

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

G. Compensated Absences

Each employee earns annual leave of 80 hours per year. Any amount not used by December 31st of the year earned is lost. Unused annual leave is paid to an employee upon retirement or resignation at the hourly rate being earned by that employee at separation. The amount of unused leave as of June 30, 2007 was $4,557, which is reported in accrued liabilities.

H. Income Taxes

The Organization has elected to be taxed as a limited liability company for federal and state income tax purposes. The sole member has consented to include her pro rata share of the Organization's income or loss in her individual tax return. Accordingly, no provisions for federal and state income taxes were made in the accompanying financial statements.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

FIRST STEPS REFERRAL AND CONSULTING, LLC
New Iberia, Louisiana

Notes to Financial Statements (Continued)

(2) Property, Plant, and Equipment

The following is a summary of property, plant, and equipment as of June 30, 2007:

Furniture and fixtures	$ 2,384
Equipment	27,385
	29,769
Less accumulated depreciation	(19,635)
	$ 10,134

Depreciation expense for the period ended June 30, 2007 was $5,394.

(3) Related Party Transactions

Salaries paid during the period ended June 30, 2007 to related parties are as follows:

Claudia Fontenot, member's sister	$ 39,638
Mona Jones, member's sister	30,942
Della Zenon, member's sister	31,042
Sue Hamilton, member's sister	31,042
Elizabeth Zenon, member's niece	1,500
Amie Hockless, member's daughter	2,000

Outstanding balances on loans payable to related parties at June 30, 2007 are as follows:

Unsecured loan payable to Claudia Fontenot, member's sister, due on demand, interest rate of 5.98%	9,000
Unsecured loan payable to Sarah Fontenot, member's sister, due on demand, interest rate of 5.98%	20,000
Total loans payable	$ 29,000

Interest expense for the period ended June 30, 2007 amounted to $1,930. Accrued interest as of June 30, 2007 was $1,239.

FIRST STEPS REFERRAL AND CONSULTING, LLC
New Iberia, Louisiana

Notes to Financial Statements (Continued)

(4) Operating Leases

The Organization currently leases their office space for $1,510 a month under a lease expiring June 30, 2008 with the option to renew for a period of five years. Lease expense for the period ended June 30, 2007 totaled $19,630.

Future minimum lease payments are as follows:

2008	$ 18,120

(5) Employee Retirement Benefits

The Organization has a SIMPLE IRA plan for employees starting ninety days after employment. The Company contributes 3% of employees' annual salary. Contributions made for the period ended June 30, 2007 totaled $11,417.

INTERNAL CONTROL

AND

COMPLIANCE

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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

First Steps Referral and Consulting, LLC
New Iberia, Louisiana

We have audited the financial statements of First Steps Referral and Consulting, LLC (the Organization) as of and for the period ended June 30, 2007, and have issued our report thereon dated October 5, 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 the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 a certain deficiency in internal control over financial reporting that we consider to be significant deficiency.

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 Organization'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 Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider the control deficiency described in the accompanying summary schedule of current year audit findings and management's corrective action plan as item 07-1 to be a significant deficiency 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 Organization'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 the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 of First Steps Referral and Consulting, LLC, Department of Health and Hospitals, and Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. Also, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
October 5, 2007

SINGLE AUDIT

SECTION

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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

First Steps Referral and Consulting, LLC
New Iberia, Louisiana

Compliance

We have audited the compliance of First Steps Referral and Consulting, LLC (the 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 period ended June 30, 2007. The Organization'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 the Organization's management. Our responsibility is to express an opinion on the Organization'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 the Organization'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 the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the period ended June 30, 2007.

Internal Control Over Compliance

The management of the Organization 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 the Organization's internal control over compliance with the requirements that could have a direct and material effect on its major federal programs 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 Organization'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 of First Steps Referral and Consulting, LLC, Department of Health and Hospitals, and Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. Also, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
October 5, 2007

FIRST STEPS REFERRAL AND CONSULTING, LLC
New Iberia, Louisiana

Schedule of Expenditures of Federal Awards
For the Period Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Expenditures
Department of Education/Louisiana Department of Health and Hospitals		
Louisiana Early Intervention System	84.181	$ 725,996

FIRST STEPS REFERRAL AND CONSULTING, LLC
New Iberia, Louisiana

Notes to Schedule of Expenditures of Federal Awards
Period Ended June 30, 2007

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of First Steps Referral and Consulting, LLC and is presented on the accrual method 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.

FIRST STEPS REFERRAL AND CONSULTING, LLC
New Iberia, Louisiana

Schedule of Findings and Questioned Costs
Period Ended June 30, 2007

Part I. Summary of Auditor's Results:

1. An unqualified report was issued on the financial statements.

2. A significant deficiency in internal control was disclosed by the audit of the financial statements.

3. No instances of noncompliance were disclosed by the audit of the financial statements.

4. No material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.

5. An unqualified opinion was issued on compliance for the major programs.

6. The audit disclosed no audit findings required to be reported under Section 510(a) of Circular A-133.

7. The major program was Louisiana Early Intervention System.

8. The dollar threshold used to distinguish between Type A and Type B programs, as described in Section 520(b) of Circular A-133 was $300,000.

9. The auditee did not qualify as a low-risk auditee under Section 530 of Circular A-133.

Part II. Findings which are required to be reported in accordance with generally accepted Governmental Auditing Standards:

Compliance Findings –

There were no compliance findings for the period ended June 30, 2007.

Internal Control Findings –

See item 07-1 in the Summary Schedule of Current Year Audit Findings and Management's Corrective Action Plan.

Part III. Findings and questioned costs for Federal awards which include audit findings as defined in Section 510(a) of Circular A-133:

There are no findings that are required to be reported under the above guidance

FIRST STEPS REFERRAL AND CONSULTING, LLC
New Iberia, Louisiana

Summary Schedule of Current Year Audit Findings
and Management's Corrective Action Plan
Period Ended June 30, 2007

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Completion Date
Internal Control:						
07-1	6/30/2007	The Organization does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.		The Organization has evaluated the cost vs. benefit of establishing intenal controls over the preparation of financial statements in accordance with GAAP and determined that it is in the best interests of the Organization to outsource this task to its independent auditors and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.	Mary Hockless, Director	N/A