

**Family Service of Greater Baton Rouge
Baton Rouge, Louisiana
December 31, 2005**

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.

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April 25, 2006

Independent Auditor's Report

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

Members of the Board:

We have audited the accompanying statements of financial position of the

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

as of December 31, 2005 and 2004, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United 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 our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Family Service of Greater Baton Rouge, as of December 31, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2006, on our consideration of the Family Service of Greater Baton Rouge's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read considered in assessing the results of our audit.

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

Yours truly,

Hawthorn, Wymouth + Candell, LLP

Family Service of Greater Baton Rouge
Statements of Financial Position
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Assets		
Cash and cash equivalents	\$1,899,011	\$1,412,166
Restricted cash	170,920	174,200
Investments	5,463	5,354
Receivables		
Service fees	4,626	4,749
Grants	370,570	440,707
Contributions	68,425	28,250
Pennington Family Loan Program	21,373	161,712
Prepaid pension cost	149,361	157,221
Other prepaid expenses	23,239	35,209
Land, building and equipment, net	532,888	450,490
Deposits	<u>2,300</u>	<u>2,300</u>
<u>Total assets</u>	<u>3,248,176</u>	<u>2,872,358</u>
Liabilities		
Accounts payable	21,792	10,073
Accrued annual leave	62,533	54,052
Deferred revenue	<u>364,885</u>	<u>55,000</u>
<u>Total liabilities</u>	<u>449,210</u>	<u>119,125</u>
Net Assets		
Unrestricted	2,027,172	1,996,424
Temporarily restricted	<u>771,794</u>	<u>756,809</u>
<u>Total net assets</u>	<u>2,798,966</u>	<u>2,753,233</u>
<u>Total liabilities and net assets</u>	<u>3,248,176</u>	<u>2,872,358</u>

The accompanying notes are an integral part of these statements.

**Family Service of Greater Baton Rouge
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2005 and 2004**

Revenue	December 31, 2005			December 31, 2004		
	Unrestricted	Temporarily		Unrestricted	Temporarily	
		Restricted	Total		Restricted	Total
Public support						
United Way	\$450,084		\$450,084	\$535,794		\$535,794
Contributions/fund raising	117,719	\$206,993	324,712	84,147	\$451,159	535,306
Service fees	90,732		90,732	107,092		107,092
Insurance reimbursement	694		694	2,568		2,568
Parenting Center fees	12,671		12,671	24,937		24,937
Interest	26,110	13,777	39,887	7,354	47,054	54,408
Membership dues	5,635		5,635	13,630		13,630
Independent Living Program	411,757		411,757	268,144		268,144
Teen Advocate Program/First-time Parents				170,126		170,126
Workshops	8,219		8,219	29,881		29,881
Children's Trust Fund	11,023		11,023	30,329		30,329
HIV Prevention Grant	149,463		149,463	122,413		122,413
Care Coordination Grant	957,691		957,691	1,383,570		1,383,570
Women and Children HIV Grant	358,379		358,379	354,665		354,665
Pennington Family Loan Program	216,952		216,952	375,781		375,781
In-Kind contribution	14,710		14,710			
Other	6,193		6,193	22,008		22,008
	<u>2,838,032</u>	<u>220,770</u>	<u>3,058,802</u>	<u>3,532,439</u>	<u>498,213</u>	<u>4,030,652</u>
Net assets released from restrictions in satisfaction of program restrictions	<u>205,785</u>	<u>(205,785)</u>		<u>131,266</u>	<u>(131,266)</u>	
<u>Total revenue, gains and other support</u>	<u>3,043,817</u>	<u>14,985</u>	<u>3,058,802</u>	<u>3,663,705</u>	<u>366,947</u>	<u>4,030,652</u>
Expenses						
Program Services						
Counseling Program	258,310		258,310	401,240		401,240
Parenting Center	99,227		99,227	167,798		167,798
Teen Advocate Program				83,841		83,841
First-time Parents				130,895		130,895
HIV Prevention	180,512		180,512	160,068		160,068
Care Coordination Program	1,016,078		1,016,078	1,362,439		1,362,439
Pennington Family Loan Program	280,862		280,862	298,756		298,756
Independent Living Program	441,747		441,747	347,131		347,131
Women and Children HIV Program	352,807		352,807	321,635		321,635
Supporting services						
Management and general	295,832		295,832	127,291		127,291
Fund raising	87,694		87,694	65,132		65,132
<u>Total expenses</u>	<u>3,013,069</u>		<u>3,013,069</u>	<u>3,466,226</u>		<u>3,466,226</u>
Change in Net Assets	30,748	14,985	45,733	197,479	366,947	564,426
Net Assets, beginning of year	<u>1,996,424</u>	<u>756,809</u>	<u>2,753,233</u>	<u>1,798,945</u>	<u>389,862</u>	<u>2,188,807</u>
Net Assets, end of year	<u>2,027,172</u>	<u>771,794</u>	<u>2,798,966</u>	<u>1,996,424</u>	<u>756,809</u>	<u>2,753,233</u>

The accompanying notes are an integral part of these statements.

**Family Service of Greater Baton Rouge
Statement of Functional Expenses
Year Ended December 31, 2005**

	Program Services							2005 Total Expenses			
	Counseling Program	Parenting Center	HIV Prevention	HIVCC	PFLP	ILP	Women and Children HIV Grant		Total Program Services	Fund Raising Expenses	Adminis- trative
Salaries and Related Expenses											
Salaries	\$194,789	\$63,524	\$134,634	\$467,467	\$151,567	\$192,398	\$242,753	\$1,447,132	\$25,855	\$134,344	\$1,607,331
Employee fringe benefits	21,926	12,986	17,188	85,968	30,503	26,649	38,417	232,737	3,370	27,367	263,674
Payroll taxes	13,189	4,176	8,031	33,186	8,962	13,009	17,432	97,985	1,978	18,456	118,419
Total salaries and related expenses	229,904	79,786	159,853	586,621	191,032	232,056	298,602	1,777,854	31,403	180,167	1,989,424
General Expenses											
Professional fees	3,532	2,795	1,510	10,611	12,010	2,005	1,833	34,296	38,750	834	75,880
Supplies	3,201	1,464	2,487	9,918	3,593	10,398	3,388	34,449	579	6,214	41,242
Telephone	3,937	1,053	1,209	5,896	2,482	3,405	1,250	19,232		5,637	24,869
Postage	57	21	1,005	1,366	1,872	52	760	5,133	925	2,183	8,241
Janitorial and maintenance	2,180	2,015	1,193	5,645	640	503	2,681	14,857		2,034	16,881
Utilities	2,443	1,066	1,240	5,750			2,804	13,303		623	13,926
Lease					11,944	15,356		27,300			27,300
Repair and maintenance of equipment	1,796	552	945	1,947	1,134	1,019	1,321	8,714		5,255	13,969
Printing and publications	1,918	3,306	419	1,433	842	435	554	8,907		88	8,995
Travel											
Local	269	168	3,567	3,586	53	3,750	6,406	17,799		1,297	19,096
Out of town	292	531	3,165	250	1,215	3,072	1,347	9,872		1,050	10,922
Attending conferences	982		626	947	25	8,103	2,461	13,144		2,271	15,415
Conducting conferences	2,210	5,829	1,615	1,850	197	28,057	867	40,625	177	1,855	42,657
Specific assistance			803	375,736		131,901	25,608	534,048			534,048
Membership dues				75		500		575		360	935
Miscellaneous	196	13	128	1,001	12,436	100	1,277	15,151	1,150	7,835	24,136
In-Kind expenses									14,710		14,710
Payments to Affiliated Organization	632	275	327	1,510	646	494	722	4,606		143	4,749
Insurance	809	353	420	1,936	707	541	926	5,692		18,835	24,527
Bad debts					40,034			43,986		20,000	63,986
Depreciation										39,161	39,161
Total general expenses	28,406	19,441	20,659	429,457	89,830	209,691	54,205	851,689	56,291	115,665	1,023,645
Total functional expenses	258,310	99,227	180,512	1,016,078	280,862	441,747	352,807	2,629,543	87,694	295,832	3,013,069

The accompanying notes are an integral part of these statements.

**Family Service of Greater Baton Rouge
Statement of Functional Expenses
Year Ended December 31, 2004**

	Program Services										2004 Total Expenses		
	Counseling Program	Parenting Center	TAP	FTP	HIV Prevention	HIVCC	PFLP	ILP	Women and Children HIV Grant	Total Program Services		Fund Raising Expenses	Adminis- trative
Salaries and Related Expenses													
Salaries	\$282,901	\$108,505	\$64,057	\$90,348	\$103,952	\$437,749	\$154,037	\$161,861	\$236,141	\$1,639,551	\$25,331	\$33,115	\$1,697,997
Employee fringe benefits	37,488	12,610	5,752	18,379	19,351	83,064	21,092	30,126	21,518	249,380	3,885	15,129	268,394
Payroll taxes	20,734	7,609	4,452	6,547	6,935	32,173	11,282	10,774	17,129	117,635	1,938	2,141	121,714
Total salaries and related expenses	<u>341,123</u>	<u>128,724</u>	<u>74,261</u>	<u>115,274</u>	<u>130,238</u>	<u>552,986</u>	<u>186,411</u>	<u>202,761</u>	<u>274,788</u>	<u>2,006,566</u>	<u>31,154</u>	<u>50,385</u>	<u>2,088,105</u>
General Expenses													
Professional fees	8,945	14,695	1,679	952	2,789	14,491	9,515	2,382	1,302	56,750	28,100	1,922	86,772
Supplies	7,352	2,700	1,097	725	4,968	9,044	3,954	5,262	2,532	37,634	1,870	4,430	43,934
Telephone	3,992	832	522	1,093	662	7,940	2,783	1,931	1,136	20,891		1,666	22,557
Postage	5,665	1,163	892	183	1,054	3,062	3,087	363	707	16,176	836	673	17,685
Janitorial and maintenance	4,647	1,037	1,136	144	1,028	4,893	206	95	1,043	14,229		2,417	16,646
Mortgage interest	507	123	126		102	572			126	1,556		161	1,717
Utilities	3,863	901	1,030	7394	773	4,119	14,788	7,963	901	11,587		1,290	12,877
Lease										30,145		(2,845)	27,300
Rental and maintenance of equipment	2,098	590	379	463	691	5,188	943	706	1,576	12,634		9,523	22,157
Printing and publications	9,210	6,331	242	301	447	2,721	2,177	410	732	22,571	1,146	981	24,698
Travel													
Local	527	394	1,188	2,281	2,919	2,087	113	4,184	4,152	17,845	150	917	18,912
Out of town	590			109	2,821	821	1,068	4,952	6,293	16,654		72	16,726
Attending conferences	298			542	338	328	(102)	2,140	1,891	5,435		2,261	7,696
Conducting conferences	12,611	8,998	110	224	7,797	1,923	586	24,252	304	56,581	1,084	1,080	58,745
Specific assistance										859,689			859,689
Membership dues										840			2,418
Miscellaneous	1,718	496			150	120		506	70			1,578	2,418
Payments to Affiliated Organization	572	258		328	133	3,360	1,772	(100)	26	7,405	792	11,638	19,835
Miscellaneous property and equipment										2,742		108	2,850
Insurance	536	576	406	882	393	(1,150)	970	793	(233)	(787)		190	(597)
Bad debts	(3,014)					4,021	70,345		752	9,329		2,579	11,908
Depreciation										67,331			67,331
Total general expenses	<u>60,117</u>	<u>39,074</u>	<u>9,580</u>	<u>15,621</u>	<u>29,830</u>	<u>809,453</u>	<u>112,345</u>	<u>144,370</u>	<u>46,847</u>	<u>1,267,237</u>	<u>33,978</u>	<u>76,906</u>	<u>1,378,121</u>
Total functional expenses	<u>401,240</u>	<u>162,798</u>	<u>83,841</u>	<u>130,895</u>	<u>160,068</u>	<u>1,362,439</u>	<u>298,756</u>	<u>347,131</u>	<u>321,635</u>	<u>3,273,803</u>	<u>65,132</u>	<u>127,291</u>	<u>3,466,226</u>

The accompanying notes are an integral part of these statements.

Family Service of Greater Baton Rouge
Statements of Cash Flows
Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash Flows From Operating Activities		
Change in net assets	\$45,733	\$564,426
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	39,161	36,265
Bad debt expense	23,952	(2,452)
Unrealized gain on investments	(109)	(1,110)
Provision for loan losses	40,034	69,783
(Increase) decrease in restricted cash	3,280	(174,200)
(Increase) decrease in accounts receivable	6,133	233,572
(Increase) decrease in prepaid expenses	11,970	(21,483)
(Increase) decrease in prepaid pension costs	7,860	(19,240)
Increase (decrease) in accounts payable	11,719	80
Increase (decrease) in accrued liabilities	8,481	(2,242)
Increase (decrease) in deferred revenue	<u>309,885</u>	<u>55,000</u>
<u>Net cash provided by operating activities</u>	<u>508,099</u>	<u>738,399</u>
Cash Flows From Investing Activities		
(Increase) decrease in loans receivable	100,305	2,658
Purchase of equipment	<u>(121,559)</u>	<u>(38,364)</u>
<u>Net cash used by investing activities</u>	<u>(21,254)</u>	<u>(35,706)</u>
Cash Flows From Financing Activities		
Payments on mortgage payable	<u> </u>	<u>(27,211)</u>
<u>Net cash used by financing activities</u>	<u> </u>	<u>(27,211)</u>
Net Increase in Cash and Cash Equivalents	486,845	675,482
Cash and Cash Equivalents, beginning of year	<u>1,412,166</u>	<u>736,684</u>
Cash and cash Equivalents, end of year	<u>1,899,011</u>	<u>1,412,166</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest		<u>\$1,717</u>

The accompanying notes are an integral part of these statements.

Family Service of Greater Baton Rouge
Notes to Financial Statements
December 31, 2005 and 2004

Note 1-Nature of Operations

The mission of Family Service of Greater Baton Rouge (the Agency) is to support, strengthen and enhance family life in greater Baton Rouge and the surrounding parishes through direct services and positive social actions. The Agency was incorporated in 1955, has been a United Way agency since 1959, and an affiliate member of Alliance for Children and Families, an international nonprofit organization, since 1962. The Agency has various funding resources that includes United Way, state and local grants, service fees and contributions. The Agency offers a wide range of services:

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

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

Teen Advocacy Program (TAP) - provided outreach, case management and educational workshops to teens and teen mothers to prevent teen pregnancy and encourage healthy behaviors. This program's contract ended September 30, 2004, with a two month extension granted to November 30, 2004 to wrap up client services.

First Time Parents (FTP) - utilized the Healthy Families American outreach model to ensure healthy beginnings for infants and to help prevent child abuse and neglect. This program ended on September 30, 2004.

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

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

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

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

Note 2-Significant Accounting Policies

A. Basis of Accounting

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

Family Service of Greater Baton Rouge
Notes to Financial Statements
December 31, 2005 and 2004

Note 2-Significant Accounting Policies (Continued)

B. Basis of Presentation

The Agency has adopted Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include those net assets whose use by the Agency is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation. Temporarily restricted net assets are those net assets whose use by the Agency has been limited by donors (a) to later periods of time or other specific dates, or (b) to specified purposes. Permanently restricted net assets are those net assets received with donor-imposed restrictions limiting the Agency's use of the asset. The Agency does not have any permanently restricted net assets.

C. Use of Estimates

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

D. Cash and Cash Equivalents

The agency considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

E. Receivables

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

F. Contributions

Contributions received, including unconditional promises to give, are measured at their fair value and recorded as increases in net assets. In the absence of donor restriction, donated assets are reported as unrestricted assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met. An allowance for doubtful accounts has been established based on management's assessment of collectibility.

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

Family Service of Greater Baton Rouge
Notes to Financial Statements
December 31, 2005 and 2004

Note 2-Significant Accounting Policies (Continued)

G. Investments

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

H. Property and Equipment

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

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

I. Restrictions on Net Assets

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Agency has no permanently restricted assets.

J. Contributed Services

Donations of services that create or enhance physical assets and essential services that require and are donated by persons with specialized skills are measured at their fair value and reported as increases in unrestricted net assets during the period provided. Contributions of catering expenses of \$14,710 fund raising expense are recorded as contribution revenue and management and general expense for the year ended December 31, 2005, in the statement of activities.

K. Income Taxes

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

L. Advertising

Advertising costs are charged to operations when incurred. There was no advertising expense for 2005 and 2004.

Family Service of Greater Baton Rouge
Notes to Financial Statements
December 31, 2005 and 2004

Note 3-Restricted Cash

The Agency has an agreement with First Bank as a "banking partner" to handle all new loans for its Pennington Family Loan Program. The Agency is required to pledge cash as collateral for loans issued by First Bank under this program. At December 31, 2005 and 2004, \$170,920 and \$174,200 have been pledged as collateral.

Note 4-Investments

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

	<u>2005</u>	<u>2004</u>
Equities	<u>\$5,463</u>	<u>\$5,354</u>

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

Note 5-Receivables

Receivables are composed of the following:

	<u>2005</u>	<u>2004</u>
Services Fees		
Service fee	\$12,126	\$8,297
Less doubtful accounts	(7,500)	(3,548)
	<u>4,626</u>	<u>4,749</u>
Grants		
Women and Children HIV/Children's Hospital Grant	87,504	31,554
Adolescent Case Management Program		14,147
Independent Living Program	31,614	52,197
Care Coordination Program	181,830	184,166
HIV Prevention Program	69,622	62,056
FTA/DOT Family Loan Program		86,385
Miscellaneous		<u>10,202</u>
	<u>370,570</u>	<u>440,707</u>
Pledge Receivables		
Unconditional promise - less than one year	15,550	28,250
Unconditional promise - 1 to 5 years	72,875	
Less doubtful accounts	(20,000)	
	<u>68,425</u>	<u>28,250</u>
Pennington Family Loan Program		
Loans	71,587	246,298
Less doubtful accounts	(50,214)	(84,586)
	<u>21,373</u>	<u>161,712</u>

Family Service of Greater Baton Rouge
Notes to Financial Statements
December 31, 2005 and 2004

Note 6-Land, Building and Equipment

Land, building and equipment consists of the following:

	<u>2005</u>	<u>2004</u>
Land	\$126,527	\$126,527
Building and improvements	451,058	451,058
Equipment	310,507	345,088
Automobiles	<u>10,154</u>	<u>10,154</u>
	898,246	932,827
Less accumulated depreciation	<u>475,275</u>	<u>482,337</u>
	422,971	450,490
Construction in progress	<u>109,917</u>	_____
<u>Total land, building and equipment</u>	<u>532,888</u>	<u>450,490</u>

In 2005, the Agency entered into a contract with Ernst Construction Company, Inc. for the construction of a new building addition. As of December 31, 2005, the Agency has incurred \$84,000, with a remaining amount of \$500,500 to be incurred in 2006.

Note 7-Deferred Revenue

As of December 31, 2005 and 2004, the Agency received \$364,885 and \$55,000 in grant proceeds that are to be used during 2006 and 2005, respectively.

Note 8-Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted as follows:

	<u>2005</u>	<u>2004</u>
AdoptUSKids		\$7,564
Program for Battered Women		3,260
Women's Support Group	\$937	9,697
Building Fund	528,448	433,250
Pennington Family Loan Program (net of loan loss reserves of \$50,214 in 2005 and \$84,586 in 2004)	<u>242,409</u>	<u>303,038</u>
	<u>771,794</u>	<u>756,809</u>

Family Service of Greater Baton Rouge
Notes to Financial Statements
December 31, 2005 and 2004

Note 9-Pension Plan - Defined Benefit

The Agency has a noncontributory defined benefit pension plan. Contributions to the plan for 2005 and 2004 were \$94,980 and \$99,657, respectively.

Benefits under the plan are generally based on the employee's compensation during the highest five consecutive calendar years during the last ten calendar years of service before retirement. The pension plan is funded in accordance with the requirements of the Employee Retirement Income Security Act of 1974.

A reconciliation of the Plan's funded status and amounts recognized in the Agency's statements of financial position at December 31, 2005 and 2004 is as follows.

	<u>2005</u>	<u>2004</u>
Benefit obligations at December 31	\$1,261,239	\$1,173,842
Fair value of Plan assets at December 31	<u>(1,126,683)</u>	<u>(1,045,293)</u>
Funded status (deficit)	<u>134,556</u>	<u>(128,549)</u>
Prepaid benefit cost recognized in the Statement of Financial Position	<u>149,361</u>	<u>157,221</u>

Weighted-average assumptions as of December 31:

	<u>2005</u>	<u>2004</u>
Discount rate	5.75%	6.0%
Expected return on plan assets	8.50%	8.5%
Rate of compensation increase	5.00%	5.0%
Benefit cost	<u>\$78,251</u>	<u>\$80,417</u>

Note 10-Pension Plan - Defined Contribution

The Agency has a defined contribution plan subject to Section 403(b) of the Internal Revenue Code. The plan covers substantially all of its employees who meet eligibility requirements. Contributions to the plan are based on 25% of the first 6% of the amount of the salary reduction of each employee. The amounts of pension expense under this plan were \$12,616 and \$6,656 for the years ended December 31, 2005 and 2004, respectively.

Note 11-Functional Allocation of Expenses

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

Family Service of Greater Baton Rouge
Notes to Financial Statements
December 31, 2005 and 2004

Note 12-Concentration of Credit Risk

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

Note 13-Economic Dependency

The Agency receives a majority of its revenue from funds provided through programs administered by the State of Louisiana and United Way. The program amounts are appropriated each year by the Federal and State governments and the United Way Agency. If significant budget cuts are enacted at the Federal and/or State level, the amount of the funds the Organization receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Organization will receive in the next fiscal year.

Note 14-Contingencies - Grant Program

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

Supplementary Information

**Family Service of Greater Baton Rouge
Schedule of Federal Awards
Year Ended December 31, 2005**

Note 1-Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal expenditures of the Family Service of Greater Baton Rouge and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Disburse- ments/ Expenditures</u>
Department of Health and Human Services/ Louisiana Department of Health and Hospitals: HIV Prevention Program	93.941	\$127,966
Department of Health and Human Services/ HIV/AIDS Alliance for Region Two, Inc.: Care Coordination (Ryan White)*	93.917	685,259
Department of Health and Human Services/Louisiana Department of Social Services/Office of Community Services: Women and Children HIV Grant	93.153	348,610
Independent Living Program (Contracts A and B)	93.674	411,757
Department of Transportation/Job Access Reverse Program/Ways to Work, Inc.: Family Loan Program	20.516	162,076
Department of Housing and Urban Development/ HIV/AIDS Alliance for Region Two, Inc.: Care Coordination (HOPWA)	14.241	317,196
Department of Housing and Urban Development/Community Development Block Grant/Entitlement Grant Family Loan Program	14.218	<u>54,876</u>
		<u>2,107,740</u>

*Denotes major program

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April 25, 2006

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

Members of the Board:

We have audited the financial statements of the Family Service of Greater Baton Rouge as of and for the year ended December 31, 2005, and have issued our report thereon dated April 25, 2006. 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 Family Service of Greater Baton Rouge's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal controls over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Family Service of Greater Baton Rouge's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2005-1.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

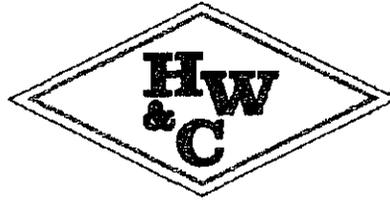
As part of obtaining reasonable assurance about whether the Family Service of Greater Baton Rouge's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Yours truly,

Hawthorn, Waymouth & Canoll, LLP

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April 25, 2006

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

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

Members of the Board:

Compliance

We have audited the compliance of the Family Service of Greater Baton Rouge (a nonprofit organization) with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 2005. The Family Service of Greater Baton Rouge's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Family Service of Greater Baton Rouge's management. Our responsibility is to express an opinion on the Family Service of Greater Baton Rouge's compliance based on our audit.

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

In our opinion, Family Service of Greater Baton Rouge complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the Family Service of Greater Baton Rouge is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Family Service of Greater Baton Rouge's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 reportable 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 caused by error or fraud 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 Board of Directors, management, the Louisiana Legislative Auditor and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513 this report is distributed by the Legislative Auditor as a public document.

Yours truly,

Hawthorn, Waymouth & Carroll, LLP

**Family Service of Greater Baton Rouge
Schedule of Findings and Questioned Costs
Year Ended December 31, 2005**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Family Service of Greater Baton Rouge.
2. One reportable condition disclosed during the audit of the financial statements was reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Family Service of Greater Baton Rouge, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No reportable condition relating to the audit of the major federal award program is reported in the Report On Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133
5. The auditor's report on compliance for the major federal award programs for the Family Service of Greater Baton Rouge expresses an unqualified opinion on its major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as a major program included:

Care Coordination (Ryan White)	93.917
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8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The Family Service of Greater Baton Rouge qualified as a low-risk auditee.

**Family Service of Greater Baton Rouge
Schedule of Findings and Questioned Costs
Year Ended December 31, 2005**

Findings - Financial Statement Audit

2005-1 Service Fees

Condition:

The Agency had no subsidiary ledger for services fees as of December 31, 2005. The subsidiary ledger file became corrupted in mid 2005 and as of April 25, 2006, the file has not been restored. Therefore, a subsidiary does not exist.

Recommendation:

We recommend the client begin a new subsidiary and reconcile to the general ledger on a monthly basis going forward.

Management's Response:

Family Service of Greater Baton Rouge concurs on the monthly balancing of the Counseling subsidiary ledger. We have already begun the new data base; we are reconstructing last year so that we will have accurate balances to begin 2006. Additionally, we are keeping two computer backups of all data entered into the Counseling subsidiary ledger to prevent any future corruption of files.

**Family Service of Greater Baton Rouge
Schedule of Prior Year Findings
Year Ended December 31, 2004**

Findings - Financial Statement Audit

None.