

**FAMILIES HELPING FAMILIES
SOUTHWEST LOUISIANA, INC.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

Year Ended June 30, 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.

Release Date 2-22-06

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Families Helping Families of
Southwest Louisiana, Inc.
Lake Charles, Louisiana

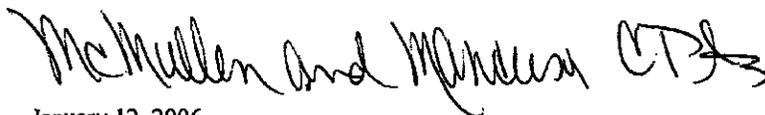
We have audited the accompanying statement of financial position of Families Helping Families of Southwest Louisiana, Inc. (a non-profit organization) as of June 30, 2005 and 2004, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of American and *Governmental 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 Families Helping Families of Southwest Louisiana, Inc. as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the year 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 January 12, 2006, on our consideration of Families Helping Families of Southwest Louisiana, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

McMullen and Mancuso, CPAs



January 12, 2006

Members
American Institute of Certified Public Accountants
Louisiana Society of Certified Public Accountants

Families Helping Families of Southwest Louisiana, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 2005

ASSETS

| | 2005 | 2004 |
|-----------------------------------|-----------------|-----------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 58,382 | \$ 3,717 |
| Grants receivable | <u>67,173</u> | <u>63,792</u> |
| Total current assets | 125,555 | 67,509 |
| FIXED ASSETS (Note A-4) | | |
| Furniture, fixtures and equipment | 41,455 | 45,499 |
| Library | 6,676 | 6,676 |
| Building | 67,728 | 67,728 |
| Building improvements | 3,615 | 3,615 |
| Less accumulated depreciation | <u>(48,986)</u> | <u>(43,293)</u> |
| Total fixed assets | 70,488 | 80,225 |
| OTHER ASSETS | | |
| Deposits | 350 | 350 |
| Prepaid rent | - | - |
| Prepaid insurance | <u>1,441</u> | <u>876</u> |
| Total other assets | 1,791 | 1,226 |
| | | |
| Total Assets | <u>197,834</u> | <u>148,960</u> |

LIABILITIES AND NET ASSETS

| | | |
|----------------------------------|-------------------|-------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | 2,170 | 3,568 |
| Credit card payable | 783 | 1,161 |
| Payroll taxes payable | 6,285 | 5,617 |
| Line of credit | - | 5,885 |
| Capital lease payable (Note F) | 1,469 | 1,305 |
| Note payable - Bank One (Note C) | 6,329 | 5,846 |
| Due to other nonprofit | <u>7,109</u> | <u>-</u> |
| Total current liabilities | 24,145 | 23,382 |
| LONG TERM LIABILITIES | | |
| Capital lease payable (Note F) | 1,783 | 3,528 |
| Note payable - Bank One (Note C) | <u>17,619</u> | <u>23,948</u> |
| Total long - term liabilities | 19,402 | 27,476 |
| | | |
| Total Liabilities | 43,547 | 50,858 |
| NET ASSETS | | |
| Temporarily restricted | 7,000 | - |
| Unrestricted | <u>147,287</u> | <u>98,102</u> |
| Total net assets | 154,287 | 98,102 |
| | | |
| Total Liabilities and Net Assets | \$ <u>197,834</u> | \$ <u>148,960</u> |

The accompanying notes are an integral part of these statements

Families Helping Families of Southwest Louisiana, Inc.

STATEMENT OF ACTIVITIES

Year ended June 30, 2005
with comparative totals for 2004

| | 2005 | | | 2004 | |
|--|-------------------|-----------------|-------------------|------------------|--|
| | TEMPORARILY | | | | |
| | UNRESTRICTED | RESTRICTED | TOTAL | TOTAL | |
| PUBLIC SUPPORT AND REVENUES | | | | | |
| Government grants | \$ - | \$ 359,527 | \$ 359,527 | \$ 362,396 | |
| Contributions | 3,343 | 23,590 | 26,933 | 6,417 | |
| Fund-raising | 7,433 | 2,000 | 9,433 | 10,412 | |
| Interest income | 20 | - | 20 | 29 | |
| Miscellaneous income | - | - | - | 17 | |
| Net assets released from restrictions: | 378,117 | (378,117) | - | - | |
| | | | | | |
| Total public support and revenues | <u>388,913</u> | <u>7,000</u> | <u>395,913</u> | <u>379,271</u> | |
| EXPENSES | | | | | |
| Program service | 295,012 | - | 295,012 | 279,209 | |
| Management and general | 38,586 | - | 38,586 | 50,273 | |
| Fund-raising | 6,130 | - | 6,130 | 2,449 | |
| Total expenses | <u>339,728</u> | <u>-</u> | <u>339,728</u> | <u>331,931</u> | |
| CHANGE IN NET ASSETS | 49,185 | 7,000 | 56,185 | 47,340 | |
| NET ASSETS AT BEGINNING OF YEAR | <u>98,102</u> | <u>-</u> | <u>98,102</u> | <u>50,762</u> | |
| NET ASSETS AT END OF YEAR | <u>\$ 147,287</u> | <u>\$ 7,000</u> | <u>\$ 154,287</u> | <u>\$ 98,102</u> | |

The accompanying notes are an integral part of these statements

**Families Helping Families
of Southwest Louisiana, Inc.**

Statement of Functional Expenses
For the Year Ended June 30, 2005

| | Program Services | | | Supporting Services | | Total | Total |
|--|-------------------|------------------|-----------------|---------------------|-------------------|----------|----------|
| | | | | Management and | | Services | Services |
| | | General | Fundraising | 2005 | 2004 | | |
| Advertising and Promotion | \$ 1,066 | \$ 118 | \$ - | \$ 1,184 | \$ 2,330 | | |
| Bank Service Charges | - | 83 | - | 83 | 135 | | |
| Books and Subscriptions | 3,766 | - | - | 3,766 | 4,130 | | |
| Client/Project Services | 6,999 | - | - | 6,999 | 3,619 | | |
| Conferences and Forums | 20,802 | - | - | 20,802 | 17,761 | | |
| Equip Rental and Maintenance | 1,587 | 176 | - | 1,763 | 2,845 | | |
| Fundraising | - | - | 6,130 | 6,130 | 2,449 | | |
| Insurance | 4,538 | 504 | - | 5,042 | 4,756 | | |
| Interest | 2,861 | 318 | - | 3,179 | 4,514 | | |
| Membership Dues | 400 | 44 | - | 444 | 511 | | |
| Miscellaneous | 1,113 | 124 | - | 1,237 | 726 | | |
| Office Expense and Supplies | 19,863 | 1,378 | - | 21,241 | 15,163 | | |
| Postage and Shipping | 4,685 | 521 | - | 5,206 | 6,460 | | |
| Printing and Publications | 10,486 | - | - | 10,486 | 7,624 | | |
| Professional Fees | 4,776 | 531 | - | 5,307 | 6,294 | | |
| Rent | 5,400 | 600 | - | 6,000 | 5,500 | | |
| Repairs and Maintenance | 1,029 | 114 | - | 1,143 | 1,339 | | |
| Salaries and Wages | 135,668 | 28,900 | - | 164,568 | 170,025 | | |
| Stipends | 9,005 | - | - | 9,005 | 7,860 | | |
| Taxes and Licenses | 13,258 | 1,473 | - | 14,731 | 13,401 | | |
| Telephone | 13,986 | 1,554 | - | 15,540 | 16,248 | | |
| Travel and Transportation | 19,498 | 568 | - | 20,066 | 25,579 | | |
| Utilities | 3,981 | 442 | - | 4,423 | 5,288 | | |
| Total Functional Expenses | | | | | | | |
| Before Depreciation and Other Expenses | 284,767 | 37,448 | 6,130 | 328,345 | 324,557 | | |
| Depreciation Expense | 7,186 | 798 | - | 7,984 | 7,374 | | |
| Loss on Disposal of Assets | 3,059 | 340 | - | 3,399 | - | | |
| Total Functional Expenses | \$ 295,012 | \$ 38,586 | \$ 6,130 | \$ 339,728 | \$ 331,931 | | |

The accompanying notes are an integral part of these statements

Families Helping Families of Southwest Louisiana, Inc.

STATEMENT OF CASH FLOWS

Year ended June 30, 2005
with comparative totals for 2004

| | <u>2005</u> | <u>2004</u> |
|--|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts from grantors | \$ 356,146 | \$ 335,099 |
| Receipts from contributors and others | 36,366 | 16,846 |
| Interest received | 20 | 29 |
| Payments to employees | (164,568) | (170,025) |
| Payments to supplies and others | (155,341) | (152,604) |
| Interest payments | <u>(3,179)</u> | <u>(4,514)</u> |
| Net cash provided (used) by operating activities | 69,444 | 24,831 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of equipment | <u>(1,458)</u> | <u>(11,515)</u> |
| Net cash used by investing activities | (1,458) | (11,515) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Loan for copier | - | 5,206 |
| Line of credit payments | (5,885) | (21,645) |
| Capital lease payment for copier | (1,581) | (373) |
| Mortgage payments for office building | <u>(5,846)</u> | <u>(5,494)</u> |
| Net cash provided by financing activities | (13,321) | (22,306) |
| Net increase in cash and cash equivalents | 54,665 | (8,990) |
| Cash and cash equivalents, beginning of year | <u>3,717</u> | <u>12,707</u> |
| Cash and cash equivalents, end of year | <u>\$ 58,382</u> | <u>\$ 3,717</u> |
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 56,185 | \$ 47,340 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 7,984 | 7,374 |
| Net (increase) decrease in: | | |
| Grants Receivable | (3,381) | (27,297) |
| Prepaid expenses | (565) | 414 |
| Net increase (decrease) in: | | |
| Accounts and credit card payable | (1,776) | (5,360) |
| Payroll taxes payable | 489 | 2,360 |
| Loss on disposal of assets | 3,399 | - |
| Due to other non-profit entity | <u>7,109</u> | <u>-</u> |
| Net cash provided (used) by operating activities | <u>\$ 69,444</u> | <u>\$ 24,831</u> |

The accompanying notes are an integral part of these statements

Families Helping Families of Southwest Louisiana, Inc.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Families Helping Families of Southwest Louisiana, Inc. have been prepared on the accrual basis and in conformity with the standards promulgated by the American Institute of Certified Public Accountants in its audit guide for voluntary health and welfare organizations.

1. Organization and Purpose

Families Helping Families of Southwest Louisiana, Inc. was established in Lake Charles in 1991 as part of a statewide network of family resource centers. This center serves not only Calcasieu Parish, but also Allen, Beauregard, Cameron and Jeff Davis parishes. The agencies throughout the state are not-for-profit organizations designed to offer information and resources including referrals, education and training and peer to peer support to individuals and family members of individuals with special needs.

The Agency is funded by donations and personal contributions, fundraisers, and various grants from the State of Louisiana and community organizations.

2. Basis of Presentation

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

3. Cash and Cash Equivalent

For purposes of the Statements of Cash Flows, the Agency considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Families Helping Families of Southwest Louisiana, Inc.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Fixed Assets

Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Agency reclassifies temporarily restricted net assets to unrestricted net assets at that time. No restrictions have been placed on assets donated to the agency. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Depreciation expense for the year ended June 30, 2005 is \$7,984.

The useful lives of fixed assets for purposes of computing depreciation are:

| | |
|------------------------------------|--------------|
| Furniture, fixtures, and equipment | 5 – 10 Years |
| Buildings | 40 Years |
| Improvements | 20 Years |
| Library | 5 Years |

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations. The Agency follows the practice of capitalizing all expenditures for all property and equipment in excess of \$250.

5. Income Tax Status

The Agency is not for profit organization that is exempt from income tax under Section 501 (c)(3) of the Internal Revenue Code and comparable state law. In addition, the Agency has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the code. Therefore, no provision has been made for federal or state income taxes in the accompanying statements.

6. Contributed Services

During the year ended June 30, 2005, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assists the Agency, but these services do not meet the criteria for recognition as contributed services.

Families Helping Families of Southwest Louisiana, Inc.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

8. Contributions

The Agency has also adopted SFAS No. 116, *Account for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

9. Concentration of Revenue and Support

The Agency receives funding primarily from grants from the State of Louisiana Department of Health and Hospitals, State Department of Education, and State Department of Social Services. If funding from these Departments were no longer available to the Agency, the operations of the Agency could be adversely impacted.

NOTE B – RETIREMENT BENEFITS

The Agency does not provide retirement benefits. Employees participate in the Social Security system. The Agency is not responsible for any post-employment benefits. The Agency has only the usual obligation to make current matching payments of the Social Security system for active employees.

NOTE C – NOTE PAYABLE

The Agency has a mortgage payable to Bank One for the purchase of the office facilities. The note is payable in eighty four (84) monthly installments of \$667, including interest at 7.956%. Final scheduled maturities of long-term debt area as follows:

Year Ending June 30

| | |
|------|------------------|
| 2006 | \$ 6,329 |
| 2007 | 6,851 |
| 2008 | 7,416 |
| 2009 | <u>3,352</u> |
| | \$ <u>23,948</u> |

Families Helping Families of Southwest Louisiana, Inc.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2005

NOTE D – COMPENSATED ABSENCES

Employees of Families Helping Families of Southwest Louisiana, Inc. are entitled to paid vacation, paid sick days and personal days off depending on job classification, length of service and other factors. The value of these compensated absences was not recorded due to their immateriality. The Agency's policy is to recognize the costs of those compensated absences when actually paid to employees.

NOTE E – ALLOCATION OF PROGRAM VS. SUPPORT EXPENSES

Expenses were allocated in the accompanying financial statements to program and support services functional expense groups. An allocation of the operating expenses of the Agency has been made on the basis of Board policy and management's estimate of 10% support and 90% program. Costs relating directly to the mission of the Agency are allocated as 100% program and expenditures for support matters and direct fund-raising costs are considered 100% support.

NOTE F – LEASES

On May 6, 2004 the Agency entered into a three year capital lease agreement for its copier from Marlin Leasing. The total cost recorded for the copier is \$5,206. The minimum monthly lease payment is \$173, exclusive of taxes and interest.

Future minimum payments by year as of June 30, 2005 are as follows:

| <u>Year Ending</u> | <u>Copier Lease</u> |
|--------------------|---------------------|
| June 30, 2006 | \$ 1,469 |
| June 30, 2007 | <u>1,783</u> |
| | <u>\$ 3,252</u> |

On July 2, 2003, the Agency entered into a one year lease for a building in DeRidder, Louisiana to operate the SPOE office for \$500 per month. The lease is cancelable with thirty (30) days written notice. Lease expense was \$6,000 at June 30, 2005.

NOTE G – COMMITMENTS AND CONTINGENCIES

In 2001, the Agency entered into an agreement with Up 4 Downs, a local support group. The Agency handled the finances from the annual Buddy Walk fundraiser, in exchange for a portion of the proceeds from the events. The liability of \$7,109 has been recorded in the financial statements for the net proceeds from the 2004 fundraiser.

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**Report on Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance
With Government Auditing Standards**

To the Board of Directors
Families Helping Families of
Southwest Louisiana, Inc.
Lake Charles, Louisiana

We have audited the financial statements of Families Helping Families of Southwest Louisiana (a non-profit corporation) as of and for the two years ended June 30, 2005, and have issued our report thereon dated January 12, 2006. We conducted our audit in accordance with generally accepted auditing standards, and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Families Helping Families of Southwest Louisiana, Inc. internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that may be material weaknesses. A material weakness is a condition in which the design or operations of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted not matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

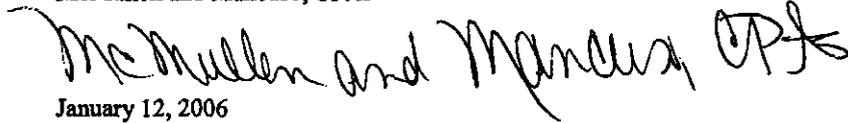
Members

American Institute of Certified Public Accountants

Louisiana Society of Certified Public Accountants

This report is intended for the information and use of management; others within the Agency, the Agency's Board of directors and the Legislative Auditor and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

McMullen and Mancuso, CPAs

A handwritten signature in black ink that reads "McMullen and Mancuso CPAs". The signature is written in a cursive, flowing style.

January 12, 2006

Families Helping Families of Southwest Louisiana, Inc.
Lake Charles, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2005

A. Summary of Independent Auditors' Results:

1. *Unqualified opinion on financial statements.*
2. No instances of noncompliance required to be reported.
3. No matters involving internal control considered to be material weaknesses.
4. Management Letter was issued.

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MANAGEMENT LETTER

To the Board of Directors
Families Helping Families of
Southwest Louisiana, Inc.
Lake Charles, Louisiana

We have audited the financial statements of Families Helping Families of Southwest Louisiana, Inc. for the years ended June 30, 2005 and 2004, and have issued our report thereon dated January 12, 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.

As part of our examination, we have issued our report on the financial statements, dated January 12, 2006, and our report on internal control and compliance with laws, regulations, and contracts, dated January 12, 2006.

During the course of our examination, we became aware of the following matters which represent immaterial deviations of compliance or suggestions for improved internal controls.

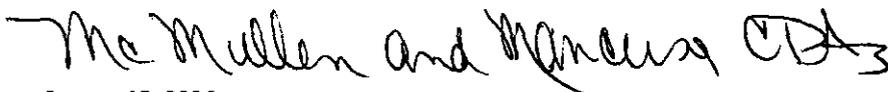
Suggestion 2005-1. The Agency does not maintain an adequate purchasing/accounts payable system. An accurate listing of open payables is not available as a tool for management to properly manage trade accounts payable. We recommend that the Agency consider using the existing computer system to process and manage accounts payable.

Suggestion 2005-2. The Agency does not have a policy of canceling invoices and supporting documents at the time the invoices are paid. Thus, the invoices are susceptible to unintentional duplicate payment or intentional misuse for dishonest purposes. A simple control against those dangers is to mark invoices with a "Paid" stamp or other indication of payment while they are in the custody of the check preparer or signer. The stamp should provide for notation of check number and date and initials of the persons who checked the invoice detail and approved it for payment. Such a procedure would add very little time to the bill-paying process but would serve as a reminder to the bill processor of steps to be performed, an indication to the check signer that those steps were done, and prevention against misuse or repayment of the invoice.

Suggestion 2005-3. Although the Agency does have a method for cost allocation, they have not adopted a formal cost allocation plan. This comment is a result of the small size of the Agency. The growth the Agency has experienced within the past couple of years dictates that a formal plan for cost allocation be adopted. This would allow costs to be directly charged to the program to which they belong.

We recommend management address the foregoing issues as an improvement to operations and the administration of public programs. We are available to further explain the suggestions or help implement the recommendations.

McMullen and Mancuso, CPAs



January 12, 2006

Members
American Institute of Certified Public Accountants
Louisiana Society of Certified Public Accountants

FAMILIES HELPING FAMILIES OF SOUTHWEST LOUISIANA, INC.
Lake Charles, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended June 30, 2005

| SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS | |
|--|--------------------|
| N/A | |
| SECTION II - MANAGEMENT LETTER | |
| 2004-1 Lack of control procedures in the receiving, depositing, and recording of cash receipts. | Resolved |
| 2004-2 No fidelity bond coverage. | Resolved |
| 2004-3 Billing on a contract not mailed for payment of services. | Resolved |
| 2004-4 No adoption of a formal cost allocation plan. | Partially Resolved |

THIS SCHEDULE HAS BEEN PREPARED BY MANAGEMENT

FAMILIES HELPING FAMILIES OF SOUTHWEST LOUISIANA, INC.
Lake Charles, Louisiana

MANAGEMENT'S CORRECTIVE ACTION PLAN

Year Ended June 30, 2005

| SECTION II - MANAGEMENT LETTER | |
|--|--|
| 2005-1 The Agency does not maintain an adequate purchasing/accounts payable system. | The Agency has reviewed the procedures and will consider implementing the accounts payable system. |
| 2005-2 The Agency does not have a policy of canceling invoices at the time the invoices are paid. | The Agency will implement the auditors' recommendation this fiscal year. |
| 2005-3 Although the Agency does have a method for cost allocation, they have not adopted a formal cost allocation plan. | The Agency plans to implement a completed, formal cost allocation plan this fiscal year. |

THIS SCHEDULE HAS BEEN PREPARED BY MANAGEMENT