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Family Service of Greater Baton Rouge
Baton Rouge, Louisiana
December 31, 2003

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June 18, 2004

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, 2003 and 2002, 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 Stated 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, 2003 and 2002, 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 June 18, 2004, on our consideration of the Family Service of Greater Baton Rouge's internal control structure over financial reporting and 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 report.

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 and state 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, Waymouth & Carroll, L.L.P.

Family Service of Greater Baton Rouge
Statements of Financial Position
December 31, 2003 and 2002

	2003	2002
Assets		
Cash and cash equivalents	$736,684	$858,775
Investments	4,244	3,479
Receivables		
Service fees (net of allowance for doubtful accounts of $6,000 and $10,500 for 2003 and 2002, respectively)	6,788	2,584
Grants	698,038	369,501
Pennington Family Loan Program (net of allowance for loan loss of $70,000 and $40,000 for 2003 and 2002, respectively)	234,153	133,737
Prepaid pension cost	137,981	184,279
Other prepaid expenses	13,726	9,356
Land, building and equipment, net	448,391	443,043
Deposits	2,300	
Total assets	2,282,305	2,004,754
Current Liabilities		
Accounts payable	9,993	4,781
Accrued annual leave	56,294	57,070
Current maturities of long-term debt	11,072	10,198
Total current liabilities	77,359	72,049
Long-Term Debt, less current maturities	16,139	27,555
Total liabilities	93,498	99,604
Net Assets		
Unrestricted		
Designated by Board for capital improvements and education	87,419	84,690
Undesignated	1,642,255	1,394,777
	1,729,674	1,479,467
Restricted		
Temporarily	459,133	425,683
Total net assets	2,188,807	1,905,150
Total liabilities and net assets	2,282,305	2,004,754

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, 2003 and 2002

	December 31, 2003			December 31, 2002		
Revenue, Gains and Other Support	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support						
United Way	$545,814		$545,814	$531,600		$531,600
Contributions/fund raising	51,670	$84,102	135,772	41,059	$53,164	94,223
Net assets released from restrictions in satisfaction of program restrictions	87,893	(87,893)		184,892	(184,892)	
	685,377	(3,791)	681,586	757,551	(131,728)	625,823
Other Revenue						
Service fees	123,839		123,839	120,648		120,648
Insurance reimbursement	1,422		1,422	1,668		1,668
Title XX-OCS				7,146		7,146
Parenting Center fees	24,984		24,984	39,270		39,270
Interest	2,808	37,241	40,049	7,382	22,864	30,246
Membership dues	11,250		11,250	13,935		13,935
Independent Living Program	328,960		328,960	300,636		300,636
Teen Advocate Program/First-time Parents	217,465		217,465	215,365		215,365
Workshops	32,993		32,993	38,277		38,277
Children's Trust Fund	26,982		26,982	26,025		26,025
HIV Hope Grant	82,762		82,762	55,483		55,483
Care Coordination Grant	1,114,803		1,114,803	805,302		805,302
Women and Children HIV Grant	187,610		187,610	87,340		87,340
Pennington Family Loan Program	261,400		261,400	60,000		60,000
Other	15,724		15,724	11,031		11,031
	2,433,002	37,241	2,470,243	1,789,508	22,864	1,812,372
Total revenue, gains and other support	3,118,379	33,450	3,151,829	2,547,059	(108,864)	2,438,195
Expenses						
Program Services						
Counseling Program	431,522		431,522	428,757		428,757
Parenting Center	140,147		140,147	171,538		171,538
Teen Advocate Program	97,525		97,525	110,965		110,965
First-time Parents	180,037		180,037	181,147		181,147
HIV Prevention	76,442		76,442	71,353		71,353
Care Coordination Program	1,089,008		1,089,008	804,719		804,719
Pennington Family Loan Program	253,162		253,162	116,560		116,560
Independent Living Program	295,442		295,442	344,212		344,212
Women and Children HIV Program	145,117		145,117	76,873		76,873
Supporting services						
Management and general	159,770		159,770	120,401		120,401
Total expenses	2,868,172		2,868,172	2,426,525		2,426,525
Change in Net Assets	250,207	33,450	283,657	120,534	(108,864)	11,670
Net Assets, beginning of year	1,479,467	425,683	1,905,150	1,358,933	534,547	1,893,480
Net Assets, end of year	1,729,674	459,133	2,188,807	1,479,467	425,683	1,905,150

The accompanying notes are an integral part of these statements.

Family Service of Greater Baton Rouge
Statement of Functional Expenses
Year Ended December 31, 2003

	Program Services											
	Counseling Program	Parenting Center	TAP	FTP	HIV Prevention	HIVCC	PFLP	ILP	Women and Children HIV Grant	Total Program Services	Adminis-trative	2003 Total Expenses
Salaries and Related Expenses												
Salaries	$305,328	$91,223	$75,945	$136,242	$48,791	$403,730	$128,213	$181,951	$112,446	$1,483,869	$32,514	$1,516,383
Employee fringe benefits	24,458	9,547	7,143	16,239	9,474	49,546	15,760	19,221	10,110	161,498	75,797	237,295
Payroll taxes	22,378	6,438	5,546	9,808	3,571	29,373	9,367	13,326	8,219	108,026	1,651	109,677
Total salaries and related expenses	352,164	107,208	88,634	162,289	61,836	482,649	153,340	214,498	130,775	1,753,393	109,962	1,863,355
General Expenses												
Professional fees	18,355	12,075	516	1,262	2,345	23,100	3,613	7,313	938	69,517	4,342	73,859
Supplies	3,743	1,333	953	1,443	1,322	7,418	4,582	4,939	1,109	26,842	4,547	31,389
Telephone	4,796	904	649	1,570	410	3,385	1,806	2,016	623	16,159	2,197	18,356
Postage	6,462	1,165	211	347	516	4,575	1,962	276	265	15,779	887	16,666
Janitorial and maintenance	4,046	974	1,133	347	856	4,582	466	607	1,040	14,051	3,504	17,555
Mortgage interest	698	164	187	65	128	692	115	110	150	2,309	250	2,559
Lease				4,082			8,582	4,474		17,138		17,138
Utilities	3,280	763	889	315	614	3,290	310	533	719	10,713	1,143	11,856
Rental and maintenance of equipment	2,677	782	260	261	204	2,742	8,078	3,640	375	19,019	(1,984)	17,035
Printing and publications	12,429	3,585	418	494	670	1,705	1,861	1,581	344	23,087	431	23,518
Travel												
Local	175	50	2,352	5,170	1,427	3,136	114	3,198	1,813	17,435	1,323	18,758
Out of town	947				1,481	831	(700)	2,567	87	5,213	1,472	6,685
Conducting conferences	11,148	9,288	275	542	2,747	7,204	603	25,808	208	57,823	1,503	59,326
Attending conferences	820	175	175	175	725	551	149	266		3,036	1,796	4,832
Specific assistance				300	678	539,359		17,770	3,467	561,574		561,574
Membership dues	640	210		200			34			1,084	1,748	2,832
Miscellaneous	672	36	27	386	21	1,619	1,214	471	24	4,470	7,649	12,119
Fund-raising expenses	1,098	309					58			1,465	1,049	2,514
Miscellaneous property and equipment	2,354	585	229	488		(300)	4,547	5,074	2,640	15,617	(13,116)	2,501
Insurance	2,312	541	617	301	462	2,470	596	301	540	8,140	1,570	9,710
Bad debts	2,706						61,832			64,538		64,538
Depreciation											29,497	29,497
Total general expenses	79,358	32,939	8,891	17,748	14,606	606,359	99,822	80,944	14,342	955,009	49,808	1,004,817
Total functional expenses	431,522	140,147	97,525	180,037	76,442	1,089,008	253,162	295,442	145,117	2,708,402	159,770	2,868,172

The accompanying notes are an integral part of these statements.

Family Service of Greater Baton Rouge
Statement of Functional Expenses
Year Ended December 31, 2002

	Program Services											
	Counseling Program	Parenting Center	TAP	FTP	HIV Prevention	HIVCC	PFLP	ILP	Women and Children HIV Grant	Total Program Services	Adminis-trative	2002 Total Expenses
Salaries and Related Expenses												
Salaries	$287,165	$115,172	$81,871	$135,561	$48,536	$316,214	$70,423	$184,437	$56,192	$1,295,571	$48,450	$1,344,021
Employee fringe benefits	28,489	13,672	13,355	18,754	9,909	40,847	4,813	21,775	11,495	163,109	9,594	172,703
Payroll taxes	20,969	8,107	6,174	10,093	3,572	22,788	5,249	14,252	4,145	95,349	3,821	99,170
Total salaries and related expenses	336,623	136,951	101,400	164,408	62,017	379,849	80,485	220,464	71,832	1,554,029	61,865	1,615,894
General Expenses												
Professional fees	19,460	13,694	742	1,282	1,842	18,491	3,022	49,642	342	108,517	2,469	110,986
Supplies	2,656	1,209	1,001	1,166	704	4,455	1,064	23,178	464	35,897	320	36,218
Telephone	4,093	1,215	833	1,802	358	3,831	383	1,169	566	14,250	1,612	15,860
Postage	4,122	3,043	357	213	115	3,258	342	1,614	197	13,259	1,829	15,088
Janitorial and maintenance	4,491	1,780	1,063	1,261	245	2,072	316	1,871	349	13,446	2,275	15,721
Mortgage interest	1,009	234	272	292	51	467	65	479	72	2,941	403	3,344
Utilities	3,094	56	863	901	164	1,513	201	1,484	222	8,498	1,308	9,806
Rental and maintenance of equipment	4,095	958	279	793	123	1,418	1,577	1,162	216	10,621	2,794	13,415
Printing and publications	11,816	5,503	146	266	134	1,086	304	226	79	19,561	(953)	18,608
Travel												
Local	1,971	144	2,624	5,896	1,758	3,164	124	4,822	1,840	22,345	564	22,909
Out of town	5,019				1,576	2,159	272	7,641		16,668	903	17,571
Conducting conferences	13,396	4,106	162	587	726	3,975	368	2,120		25,440	416	25,856
Attending conferences	167	38		480	990	996	200	2,303	60	5,233	713	5,946
Specific assistance				40		374,891		21,677		396,608	(342)	396,266
Membership dues	50	50			150	50	70	500		870	1,224	2,094
Miscellaneous	1,160	78	50	52	9	196	(7,424)	2,179	13	(3,687)	7,844	4,157
Fund-raising expenses	3,966	1,113					170			5,250	726	5,976
Payments to affiliated organizations	2,071	824	650	1,155	268	1,939	348	756	477	8,488	212	8,700
Miscellaneous property and equipment	215	120					11			347	300	647
Insurance	2,029	422	523	553	123	909	130	925	144	5,757	2,006	7,764
Bad debts	7,254						34,532			41,786		41,786
Depreciation											31,913	31,913
Total general expenses	92,134	34,587	9,565	16,739	9,336	424,870	36,075	123,748	5,041	752,095	58,536	810,631
Total functional expenses	428,757	171,538	110,965	181,147	71,353	804,719	116,560	344,212	76,873	2,306,124	120,401	2,426,525

The accompanying notes are an integral part of these statements.

Family Service of Greater Baton Rouge
Statements of Cash Flows
Years Ended December 31, 2003 and 2002

	2003	2002
Cash Flows From Operating Activities		
Change in net assets	$283,657	$11,670
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	29,497	31,913
Bad debt expense	2,706	7,254
Unrealized gain on investments	(765)	462
Provision for loan losses	61,832	34,532
(Increase) decrease in accounts receivable	(335,447)	62,991
(Increase) decrease in prepaid expenses	(4,370)	615
(Increase) decrease in prepaid pension costs	46,298	
Increase (decrease) in accounts payable	5,212	723
Increase (decrease) in accrued liabilities	(776)	
(Increase) decrease in deposits	(2,300)	3,865
Net cash provided by operating activities	85,544	154,025
Cash Flows From Investing Activities		
Increase in loans receivable	(162,248)	(99,923)
Purchase of equipment	(34,845)	(6,182)
Net cash used by investing activities	(197,093)	(106,105)
Cash Flows From Financing Activities		
Payments on mortgage payable	(10,542)	(9,757)
Net cash used by financing activities	(10,542)	(9,757)
Net Increase (Decrease) in Cash and Cash Equivalents	(122,091)	38,163
Cash and Cash Equivalents, beginning of year	858,775	820,612
Cash and cash Equivalents, end of year	736,684	858,775
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest	$2,559	$3,344

The accompanying notes are an integral part of these statements.

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 a member of Family Service America since 1962. The Agency's services range from prevention and education to tertiary intervention through case management or clinical modalities and methodologies. The Agency receives its funding through a variety of sources including United Way, service fees, contributions, state and local grants. Approximately 17% and 22% of the Agency's support for the years 2003 and 2002, respectively, came from United Way.

The Agency also offers a Pennington Family Loan Program. The Pennington Family Loan Program is an innovative program that provides small loans to low-income parents who are unable to qualify for a loan elsewhere. The purpose of the program is to help families meet expected or unexpected expenses that could interfere with their ability to remain employed or stay in school. The Pennington Family Loan Program provides loans from $500 to $3,000 primarily for automotive purchase/repairs. In some cases, amounts are also for child care; mortgage/rent and utilities; medical, dental and eyeglasses; job related expenses (uniforms, tools) and essential household appliances.

Note 2-Significant Accounting Policies

Basis of Accounting

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

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.

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.

Note 2-Significant Accounting Policies (continued)

Cash and Cash Equivalents

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

Investments

The Agency has adopted Statement of Financial Accounting Standards No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations* ("SFAS No. 124"). Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Investment income is reported as increases in unrestricted net assets in the reporting period in which the income and gains are recognized. All investments are comprised of equity securities at fair value.

Property and Equipment

Property and equipment are capitalized at cost. Maintenance and repair expenditures are expensed as incurred. Depreciation is computed using straight line and accelerated methods over the estimated useful lives of 5 to 45 years.

Restrictions on Net Assets

Contributions are recognized when the donor makes a promise to give to the Agency 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.

Contributed Services

During the years ended December 31, 2003 and 2002, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

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.

Note 2-Significant Accounting Policies (continued)

Advertising

Advertising costs are charged to operations when incurred. There was no advertising expense for 2003 and 2002.

Reclassifications

Certain reclassifications have been made to the 2002 financial statements to conform with classifications used in 2003. These reclassifications had no effect on net assets.

Note 3-Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2003 and 2002, consisted of the following:

	2003	**2002**
Bank account	$366,468	$336,955
Petty cash	170	170
Money Market Account	211,667	234,728
Restricted for Family Loan Program	146,300	286,922
Capital Fund for Building	12,079	
Total cash and cash equivalents	736,684	858,775

Note 4-Accounts Receivable - Grants

Accounts receivable from grants is composed of the following:

	2003	**2002**
Women and Children HIV/Children's Hospital Grant	$111,042	$23,732
Adolescent Case Management Program	53,922	62,088
Independent Living Program	87,529	56,560
Care Coordination Program	258,485	177,675
HIV Hope Program	50,064	14,480
Miscellaneous	136,996	34,966
	698,038	369,501

Family Service of Greater Baton Rouge
Notes to Financial Statements
December 31, 2003 and 2002

Note 5-Land, Building and Equipment

Land, building and equipment consists of the following:

	2003	2002
Building and improvements	$451,058	$437,969
Equipment	306,724	284,968
Automobiles	10,154	10,154
Less accumulated depreciation	(446,072)	(416,575)
	321,864	316,516
Land	126,527	126,527
Total land, building and equipment	448,391	443,043

Note 6-Long-Term Debt

Long-term debt at December 31, 2003 and 2002, consisted of the following:

	2003	2002
Mortgage payable to Bank One, 7.65% interest payable in 60 monthly installments of $1,092. Note is secured by mortgage on land and building on Revere Avenue.	$27,211	$37,753
Less current maturity	11,072	10,198
Total long-term portion	16,139	27,555

Future maturities on long-term debt are as follows:

2004	$11,072
2005	11,949
2006	4,190

Note 7-Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted as follows:

	2003	2002
HIV Prevention Program	$49,925	
Program for Battered Women	8,150	
Women's Support Group	8,605	$5,024
Building Fund	12,000	
Pennington Family Loan Program (net of loan loss reserves of $70,000 in 2003 and $40,000 in 2002)	380,453	420,659
	459,133	425,683

Note 7-Temporarily Restricted Net Assets (continued)

The temporarily restricted net assets available for the Pennington Family Loan Program are held in a money market account, the purpose of which is to continue the program. At December 31, 2003 and 2002, loaned amounts were $304,153 and $173,737, respectively. Interest earned during the fiscal years ended December 31, 2003 and 2002 was $31,506 and $15,376, respectively.

Note 8-Net Assets Designated For Capital Improvements and Education

The Board of Directors has designated a portion of its unrestricted assets to be used for capital improvements and educational purposes. These designations are unlike donor contributions which must be used for the purpose stipulated by the donor as the board has the authority to change or reverse its own action. The designated portion of the unrestricted net assets is augmented annually by earnings of the agency's interest bearing accounts.

Changes in designated net assets for 2003 and 2002 are as follows:

	Capital Improvements	Education Funds	Total Designated
Balance, January 1, 2002	$72,308	$5,000	$77,308
Interest income	7,382		7,382
Balance, December 31, 2002	79,690	5,000	84,690
Interest income	2,729		2,729
Balance, December 31, 2003	82,419	5,000	87,419

Note 9-Pension Plan - Defined Benefit

The Agency has a noncontributory defined benefit pension plan which is accounted for under SFAS No. 87, *"Employer's Accounting for Pensions"* and SFAS No. 132, *"Employers' Disclosures about Pensions and Other Postretirement Benefits"*.

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, 2003 and 2002 is as follows.

Note 9-Pension Plan - Defined Benefit (Continued)

	2003	2002
Benefit obligations at December 31	$1,055,098	$904,771
Fair value of Plan assets at December 31	(922,750)	(773,892)
Funded status (deficit)	(132,348)	(130,879)
Prepaid benefit cost recognized in the Statement of Financial Position	137,981	184,279

Weighted-average assumptions as of December 31:

	2003	2002
Discount rate	6.0%	6.5%
Expected return on plan assets	8.5%	9.0%
Rate of compensation increase	5.0%	5.0%
Benefit cost	$80,978	$34,201

In addition to pension benefits, the Organization provides employees an opportunity to participate in a deferred compensation plan offered through Mutual of America. The Organization does not guarantee those benefits. This plan is between Mutual of America and the employee and the Organization serves only in an agency capacity. The Agency's contributions to the plan were $34,680 and $31,790 for 2003 and 2002, respectively.

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 $9,882 and $6,226 for the years ended December 31, 2003 and 2002, 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.

Note 12-Operating Lease

The Agency leases an office building under a one-year renewable rental agreement which expires in May, 2004. Lease expense was $17,138 for 2003. There was no expense for 2002. Obligations under the lease in future years are as follows:

2004	$11,375

Note 13-Concentration of Credit Risk

Concentration of credit risk with respect to service fees is limited to the Baton Rouge, Louisiana area. As a result, the Agency is subject to the credit risk associated with the local economy in respect to service fees.

The major sources of funding are from United Way, and contracts with the State of Louisiana. Loss of any of these funding sources could adversely affect the Agency's operating results.

Grant receivables are due from federal and state agencies.

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.

Supplementary Information

Family Service of Greater Baton Rouge
Schedule of Federal and State Awards
Year Ended December 31, 2003

Note 1-Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal and state grant activity 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.

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Disbursements/ Expenditures
Department of Health and Human Services/Louisiana		
Department of Health and Hospitals:		
Teen Advocate Program	13.994	$65,492
First Time Parents	13.994	151,973
HIV Prevention Program	93.939	82,761
Care Coordination Program*	93.915	1,114,803
		1,415,029
Department of Health and Human Services/Louisiana		
Department of Social Services:		
Independent Living Program		
Contract A and B	93.674	321,571
Department of Health and Human Services/Louisiana		
Department of Social Services/		
Office of Community Services:		
Women and Children HIV Grant	93.153	187,610
Total		1,924,210

*Denotes major program

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June 18, 2004

Report on Compliance and on Internal Control over Financial Reporting 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, 2003, and have issued our report thereon June 18, 2004. 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.

Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operations of the internal control over financial reporting that, in our judgement, could adversely affect Family Service of Greater Baton Rouge's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2003-1 and 2003-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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, of the reportable conditions described above, we considered items 2003-1 and 2002-2 to be material weaknesses.

This report in 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, L.L.P.

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June 18, 2004

Report on Compliance with Requirements Applicable to Each Major Program and 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 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, 2003. 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 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, 2003.

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.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Family Services of Greater Baton Rouge's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2003-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance 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 weeknesses. However, we believe that none of the reportable conditions described above is a material weakness.

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, L.L.P.

Family Service of Greater Baton Rouge
Schedule of Findings and Questioned Costs
Year Ended December 31, 2003

SUMMARY OF AUDITOR'S RESULTS

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

2. Two reportable conditions disclosed during the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*. None of the conditions is reported as a material weakness.

3. No instances of noncompliance material to the financial statements of 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 conditions relating to the audit of the major federal award program are 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 program for Family Service of Greater Baton Rouge expresses an unqualified opinion on its major federal program.

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 programs tested as major programs included:

Care Coordinator Program	93.915
Independent Living Program	93.674

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

9. Family Service of Greater Baton Rouge did not qualify as a low-risk auditee.

Continued

Family Service of Greater Baton Rouge
Schedule of Findings and Questioned Costs
Year Ended December 31, 2003

Findings - Financial Statement Audit

2003-1 Family Loan Program

The Family Loan Program subsidiary ledger is not being reconciled to the general ledger. We recommend that the subsidiary ledger and the general ledger be reconciled on a monthly basis. This finding is a repeat of prior year finding 2002-1.

Management's Response

Management agree that the subsidiary ledger and the general ledger should be reconciled on a monthly basis and has already established that procedures will be consistent and that a monthly reconciliation will occur in an timely fashion. Payments on all existing loans will be posted within the Accounts Receivable Subsidiary, with immediate determination of principal and interest revenue. Additionally, management has finalized an agreement with First Bank as a "banking partner" to handle all new loans effective July 1, 2004.

2003-2 Reconciliation of Bank Accounts

Cash accounts are not being reconciled in a correct and timely basis. We recommend that all bank accounts be reconciled on a monthly basis.

Management's Response

Management agrees that bank reconciliations should be accurate and timely. The Family Loan Pool Market Index and the agency Market Index are reconciled timely. The Operating (Checking) account's reconciliation will begin as soon as the statement is received. An accounting staff member who is not processing checks will begin the process and a second accounting staff member not processing checks will review and assist in confirming accurate and timely balances. This process will begin June 1, 2004 and will insure that, with two sets of eyes, an accurate and timely balance will occur monthly.

Family Service of Greater Baton Rouge
Schedule of Prior Year Findings
Year Ended December 31, 2003

Findings - Financial Statement Audit

2002-1 Family Loan Program

Family Loan Program subsidiary ledger is not being reconciled to the general ledger. We recommend that the subsidiary ledger and the general ledger be reconciled on a monthly basis.

Management's Response

Management agrees that the subsidiary ledger should be reconciled with the general ledger. The Agency will begin reconciliation of the subsidiary and general ledgers in a timely manner.

Current Status

The Agency is still not reconciling the subsidiary ledger to the general ledger.

2002-2 Reconciliation of Program Income and Credit Card Receipts

Procedures should be implemented to reconcile program income with the actual amounts being deposited. Credit card receipts should be broken out by name and program to insure proper posting.

Management's Response

Management agrees the program income should be reconciled with deposits as well as better tracking of credit card receipts. The Agency will develop and implement policies and procedures to eliminate these occurrences.

Current Status

The Agency has implemented policies and procedures that have resulted in batter tracking of credit card deposits.