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FAMILY SERVICE
OF
GREATER NEW ORLEANS

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
For the Years Ended June 30, 2008 and 2007

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REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

President and Board of Directors
Family Service of Greater New Orleans
New Orleans, Louisiana

We have audited the accompanying Statement of Financial Position of Family Service of Greater New Orleans (a nonprofit organization) ("Family Service") as of June 30, 2008, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These financial statements are the responsibility of Family Service's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Family Service as of June 30, 2007 were audited by other auditors whose report dated April 11, 2008 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2008 financial statements referred to above present fairly, in all material respects, the financial position of Family Service of Greater New Orleans as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards,* we have also issued our report dated October 17, 2008, on our consideration of Family Service's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Family Service 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.

Rebowe & Company

October 17, 2008

FAMILY SERVICE OF GREATER NEW ORLEANS
STATEMENTS OF FINANCIAL POSITION
June 30, 2008 and 2007

ASSETS

	2008	2007
Cash and cash equivalents	$ 561,960	$ 484,786
Investments - certificates of deposit	66,234	64,478
Accounts receivable, net	285,223	870,045
Contributions receivable	401,000	441,000
Prepaid expenses	4,194	4,194
Equipment and leasehold improvements, net	100,192	131,951
Deposits	6,794	6,794
Cash equivalents restricted for permanent endowment	3,460	3,460
Total Assets	$ 1,429,057	$ 2,006,708

LIABILITIES AND NET ASSETS

	2008	2007
Liabilities:		
Accounts payable	$ 59,677	$ 102,357
Accrued salaries	23,991	11,092
Accrued vacation	46,043	50,184
Deferred revenue	-	2,500
Total Liabilities	$ 129,711	$ 166,133
Net Assets:		
Unrestricted net assets	734,644	1,295,815
Temporarily restricted net assets	531,242	511,300
Permanently restricted net assets	33,460	33,460
Total Net Assets	1,299,346	1,840,575
Total Liabilities and Net Assets	$ 1,429,057	$ 2,006,708

See accompanying notes to financial statements.

FAMILY SERVICE OF GREATER NEW ORLEANS
STATEMENTS OF ACTIVITIES
Year Ended June 30, 2008, with Comparative Totals for 2007

	Unrestricted
SUPPORT, REVENUE, GAINS AND LOSSES	
Contributions	$ 18,780
Private grants	500
Fees and grants from governmental agencies	1,751,362
Program service fees	411,307
Fund-raising revenue	43,666
Interest income	17,996
United Way allocations and designations	18,349
Miscellaneous revenue	29,031
Gain (loss) on disposal of assets	-
Net assets released from restrictions	911,886
Total Support, Revenue, Gains and Losses	3,202,877
EXPENSES	
Program services:	
Counseling	1,822,674
At-risk children and youth	1,297,863
Family and individual support	415,588
	3,536,125
Supporting services:	
Fund-raising and development	40,531
Management and general	187,392
	227,923
Total Expenses	3,764,048
INCREASE (DECREASE) NET ASSETS	(561,171)
Net assets, beginning of year	1,295,815
Net assets, end of year	$ 734,644

See accompanying notes to financial statements.

Temporarily Restricted	Permanently Restricted	2008 Total	2007 Total
$ -	$ -	$ 18,780	$ 25,137
108,961	-	109,461	147,500
-	-	1,751,362	2,967,723
-	-	411,307	287,177
21,300	-	64,966	40,835
1,565	-	19,561	22,344
800,002	-	818,351	907,110
-	-	29,031	125
-	-	-	24,591
(911,886)	-	-	-
19,942	-	3,222,819	4,422,542
-	-	1,822,674	1,721,463
-	-	1,297,863	2,195,764
-	-	415,588	214,412
-	-	3,536,125	4,131,639
-	-	40,531	62,048
-	-	187,392	223,875
-	-	227,923	285,923
-	-	3,764,048	4,417,562
19,942	-	(541,229)	4,980
511,300	33,460	1,840,575	1,835,595
$ 531,242	$ 33,460	$ 1,299,346	$ 1,840,575

FAMILY SERVICE OF GREATER NEW ORLEANS
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2008, with Comparative Totals for 2007

	Counseling	At-Risk Children and Youth	Family and Individual Support
Salaries	$ 1,177,162	$ 753,161	$ 235,646
Employee benefits	98,501	58,045	11,556
Payroll taxes	102,865	53,461	18,520
Total Employee Compensation	1,378,528	864,667	265,722
Bad debt expense	9,631	97,944	32,542
Conferences and meetings	14,523	8,580	2,905
Depreciation	19,383	10,258	3,386
Dues and memberships	7,572	2,797	1,029
Equipment repairs and maintenance	15,007	6,031	2,708
Insurance	10,157	4,297	2,207
Miscellaneous	1,647	936	361
Interest expense	1,762	-	-
Occupancy	207,397	80,421	26,746
Postage and shipping	6,873	1,257	509
Printing and publications	3,801	1,173	298
Professional fees	51,265	28,039	5,670
Routine staff travel	1,417	13,265	5,541
Specific assistance	27	104,615	42,363
Supplies	51,018	37,416	14,099
Telephone	42,666	36,167	9,502
Total Expense	$ 1,822,674	$ 1,297,863	$ 415,588

See accompanying notes to financial statements.

Total Program Services	Fund-raising and Development	Management and General	Total Supporting Services	Total Program and Supporting Services Expenses 2008	2007
$ 2,165,969	$ -	$ 76,063	$ 76,063	$ 2,242,032	$ 2,289,306
168,102	-	13,782	13,782	181,884	175,935
174,846	-	25,986	25,986	200,832	191,435
2,508,917	-	115,831	115,831	2,624,748	2,656,676
140,117	-	-	-	140,117	38,901
26,008	29,963	1,388	31,351	57,359	50,001
33,027	-	5,270	5,270	38,297	34,844
11,398	-	1,602	1,602	13,000	6,015
23,746	45	4,432	4,477	28,223	34,212
16,661	-	2,761	2,761	19,422	9,887
2,944	1,454	3,511	4,965	7,909	14,904
1,762	-	-	-	1,762	1,705
314,564	-	29,542	29,542	344,106	326,012
8,639	1,594	1,232	2,826	11,465	8,091
5,272	5,586	221	5,807	11,079	10,624
84,974	98	7,724	7,822	92,796	74,435
20,223	69	(571)	(502)	19,721	32,314
147,005	-	-	-	147,005	870,054
102,533	1,722	6,267	7,989	110,522	121,553
88,335	-	8,182	8,182	96,517	127,334
$ 3,536,125	$ 40,531	$ 187,392	$ 227,923	$ 3,764,048	$ 4,417,562

FAMILY SERVICE OF GREATER NEW ORLEANS
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ (541,229)	$ 4,980
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	38,297	34,844
(Gain) loss on disposal of assets	-	(24,591)
(Increase) decrease in assets:		
Accounts receivable	584,822	(158,204)
Contribution receivable	40,000	67,000
Prepaid expenses and deposits	-	(5,818)
Increase (decrease) in liabilities:		
Accounts payable	(42,680)	11,124
Accrued salaries	12,899	-
Accrued vacation	(4,141)	-
Refundable advances	(2,500)	-
Net cash provided by (used for) operating activities	85,468	(70,665)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in certificates of deposit	(1,756)	-
Decrease in cash equivalents restricted for investment in property and equipment	-	28,342
Purchase of property and equipment	(6,538)	(49,358)
Insurance proceeds	-	24,591
Net cash provided by (used for) investing activities	(8,294)	3,575
Net increase (decrease) in cash and cash equivalents	77,174	(67,090)
Cash and cash equivalents, beginning of year	488,246	555,336
Cash and cash equivalents, end of year	$ 565,420	$ 488,246
RECONCILIATION TO STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents	$ 561,960	$ 484,786
Cash restricted for permanent endowment	3,460	3,460
Total cash and cash equivalents	$ 565,420	$ 488,246

See accompanying notes to financial statements.

FAMILY SERVICE OF GREATER NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 - NATURE OF ACTIVITIES

Family Service of Greater New Orleans ("Family Service"), a nonprofit organization, is a United Way agency and a member agency of the Alliance for Children and Families. Its mission is to strengthen the emotional health and foster the self-sufficiency of families and individuals. Family Service obtains the majority of its funding from governmental grants, private grants, and donor contributions. Approximately 54% and 25% of Family Service's revenues for the year ended June 30, 2008 came from fees and grants from governmental agencies and allocations from the United Way, respectively. Approximately 67% and 21% of Family Service's revenues for the year ended June 30, 2007 came from fees and grants from governmental agencies and allocations from the United Way, respectively.

Programs and services provided by Family Service are as follows:

Counseling

Group Counseling – Family Service offers a variety of group counseling programs for individuals or couples in need of guidance.

Child Abuse – Family Service provides intensive treatment and support services for families where abuse has been validated. Child abuse cases are referred to Family Service through the Office of Community Services.

Rivarde Detention Center – Family Service clinicians provide 24-hour counseling, suicide assessment, and support services for juveniles in the Rivarde Detention Center, which is located in Harvey, Louisiana.

Family Preservation – Intensive at-home counseling services are provided to families in crisis and at-risk of having their children removed from the home.

Community Programs

New Orleans Truancy Assessment & Service Center (NOTASC) – Home, school, and community based program staffed by social workers, case workers, and parent support workers. Students are referred after five (5) absences from school. The program encourages voluntary participation by parents and children to prevent involvement with the judicial system.

Families In Need Of Services (FINS) – A court-ordered program for juveniles in trouble with the law. The program requires counseling, participation in social work services, and drug testing. Monitors follow up with schools, parents, social services, and the courts to ensure that juveniles complete the program.

NOTE 1 - NATURE OF ACTIVITIES (CONTINUED)

Families and Schools Together (FAST) – A school-based, preventative program that targets children ages 5 to 9 who are at risk of becoming drop-outs or drug abusers. FAST is a program that involves the entire family and builds upon each family member's strengths to improve communication and enhance the functioning of the family.

Anger Management – A program designed to help middle school youth ages 11 to 17 learn how to deal more effectively with violence.

Custody Evaluation – Helps parents and courts make custody decisions for children.

Hate Crimes Project – Assists with education and prevention of Hate Crimes throughout the New Orleans area by providing a 24 hour hotline as well as counseling and therapy for victims.

Victims of Crime (VOCA) – Family Service offers individual and support groups for victims of violence.

Active Parenting – An educational support group designed to provide parents with children up to the age of 18 with parental advice.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Tax Status

Family Service is exempt from income tax under Section 501(c) (3) of the U. S. Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code.

Basis of Accounting

The financial statements of Family Service have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendation 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, net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Family Service and changes therein are classified and reported as follows:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted Net Assets - Those net assets whose use is not restricted by donors.

Temporarily Restricted Net Assets - Those net assets whose use by Family Service has been limited by donors to later periods of time or after specified dates, or to specific purposes.

Permanently Restricted Net Assets - Those net assets that must be maintained in perpetuity due to donor-imposed restrictions that will neither expire with the passage of time nor be removed by meeting certain requirements.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with Family Service's financial statements for the year ended June 30, 2007, from which the summarized information was derived. The financial statements of Family Service as of June 30, 2007 were audited by other auditors.

Cash and Cash Equivalents

For the purposes of the Statements of Cash Flows, Family Service considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

It is the policy of Family Service to report receivables at net realizable value estimating the allowance for uncollectible accounts based on prior experience and current economic conditions. The allowance for doubtful accounts for accounts receivable was $7,282 and $26,510 at June 30, 2008 and 2007, respectively. Family Service charges off uncollectible accounts receivable when management determines the receivable will not be collected.

Investments

Family Service records its investments in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in unrestricted or temporarily restricted net assets, depending on whether or not there are donor-imposed restrictions on the gains and losses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equipment and Leasehold Improvements

Equipment and leasehold improvements greater than $1,000 are capitalized at their purchase price, or, in the case of a contributed asset, at the estimated fair market value at the date of receipt.

Depreciation is computed using the straight-line method over the following estimated lives:

Equipment	5 years
Leasehold improvements	10 years

Under certain cost reimbursement contracts with the State of Louisiana, Family Service is allowed to purchase equipment over $1,000, subject to the provision that upon the termination of the contract this equipment may be claimed by the state. As a result, in conformity with the contract provisions, Family Service has expensed these items in the year of the purchase since the contracts terminate within one (1) to two (2) years. Expenses related to equipment purchased under these cost reimbursement contracts were $9,327 and $3,482 at June 30, 2008 and 2007, respectively.

Contributions

In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to Family Service 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 restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support 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 support. Absent donor stipulations regarding how long those donated assets must be maintained, Family Service reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Family Service reclassifies temporarily restricted net assets to unrestricted net assets at that time.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services

Family Service recognizes contributed services at their fair value if the services have value to the organization and requires specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors. There were no contributed services requiring such skills at June 30, 2008 and 2007.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been restated to conform to the current year financial statement presentation.

NOTE 3 - CASH

Family Service maintains cash balances at four (4) financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to $100,000. The carrying amount of Family Service's cash deposits in bank accounts at June 30, 2008 and 2007 was $565,420 and $488,246, respectively. Bank balances at the four (4) financial institutions totaled $609,931 and $487,351 at June 30, 2008 and 2007, respectively. Total uninsured cash balances at June 30, 2008 and 2007 were $259,592 and $163,237, respectively. Money market accounts are included as cash and cash equivalents in the financial statements.

NOTE 4 - INVESTMENTS

Family Service investments consist of certificates of deposit totaling $66,234 and $64,478 at June 30, 2008 and 2007, respectively. All certificates of deposit mature in 2010.

FAMILY SERVICE OF GREATER NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008 and 2007

NOTE 5 - CONTRIBUTIONS RECEIVABLE

The contributions receivable at June 30, 2008 are categorized by source as follows:

	2008	2007
Private grants	$ 1,000	$ 41,000
United Way allocations	400,000	400,000
Total	$ 401,000	$ 441,000

This amount is receivable in less than one year.

No discount or allowance for uncollectible amounts has been recorded for these items because management considers all collectible amounts and any discount to be insignificant.

NOTE 6 - EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consist of the following:

	2008	2007
Equipment	$ 362,409	$ 357,071
Leasehold improvements	176,886	175,686
Less: Accumulated depreciation	(439,103)	(400,806)
Total	$ 100,192	$ 131,951

Depreciation expense for the years ended June 30, 2008 and 2007 totaled $38,297 and $34,844, respectively.

NOTE 7 - RETIREMENT PLAN

Family Service offers a defined contribution retirement plan for full-time employees over 21 years old having at least one (1) year of service. Contributions to the plan are at the discretion of the Board of Directors. The amounts in a participant's account are 100% vested upon the attainment of the employee's normal retirement age or, if earlier, upon meeting the applicable vesting requirements listed below.

NOTE 7 - RETIREMENT PLAN (CONTINUED)

Years of Vesting Service	Vesting Percentage
Less than 2	0
2	20
3	50
4	75
5	100

Defined contribution retirement plan expenses for the years ended June 30, 2008 and 2007 totaled $72,637 and $68,160, respectively.

NOTE 8 - COMMITMENTS

Family Service conducted its operations at seven (7) locations in the Metropolitan New Orleans Area for the years ended June 30, 2008 and 2007. There are two (2) offices in Orleans Parish (Canal Street and Tulane Avenue), one (1) office in East Jefferson, one (1) office in West Jefferson, one (1) office in St. Bernard Parish, one (1) office in Slidell, and one (1) office in Mandeville. The Tulane and Mandeville locations closed in March and June of 2008, respectively. The locations have operating leases expiring through fiscal year 2012.

Rental expense for occupancy amounted to $285,047 and $275,896 for the years ended June 30, 2008 and 2007, respectively. In addition, Family Service has five (5) 60-month operating leases for copy machines. Rental payments under these leases were $18,352 and $15,216 for the years ended June 30, 2008 and 2007, respectively.

Future minimum commitments under all operating lease agreements are as follows:

2009	$ 157,395
2010	44,839
2011	34,385
2012	8,800
2013	-
	$ 245,419

NOTE 9 - CONCENTRATIONS

Family Service received $818,351 and $907,110 from United Way during fiscal years 2008 and 2007, respectively. These contributions represent 25% and 21% of total support and revenue for the years ended June 30, 2008 and 2007, respectively.

FAMILY SERVICE OF GREATER NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008 and 2007

NOTE 9 - CONCENTRATIONS (CONTINUED)

At June 30, 2008 and 2007, Family Service had a contributions receivable from the United Way totaling $400,000, which represents 27% and 20% of total assets, respectively.

NOTE 10 - LINE OF CREDIT

Whitney National Bank ("the Bank") authorized Family Service to borrow up to $50,000. This line of credit matures annually on March 1ST. As collateral, Family Service granted the Bank a continuing security interest in any and all funds that Family Service may now and in the future have on deposit with the Bank. Interest is calculated using the Bank's prime lending rate. At June 30, 2008 and 2007, there was no balance outstanding under this line of credit.

NOTE 11 - UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following:

	2008	2007
Carrying value after accumulated depreciation of equipment and leasehold improvements	$ 100,192	$ 131,951
Net assets available for general activities	634,452	1,163,864
Total unrestricted net assets	$ 734,644	$ 1,295,815

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2008	2007
Counseling Program Activities:		
United Way	$ 400,000	$ 400,000
At-Risk Children and Youth Program Activities:		
Jefferson Children's Advocacy Center	1,011	2,671
New Voices	1,277	7,084
School Based Intervention	1,011	75,472
Good Touch Bad Touch	18,880	25,000
Families and Schools Together	5,000	-
Jr. League of New Orleans	3,567	-
GNOF – Children Mental Health Center	84,793	-
Clinical Symposium	15,703	1,073
Total temporarily restricted net assets	$ 531,242	$ 511,300

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

The following temporarily restricted net assets were released from restrictions during 2008 and 2007 due to the satisfaction of donor restrictions.

	2008	2007
Counseling Program Activities:		
United Way	$ 800,002	$1,000,000
At-Risk Children and Youth Program Activities:		
Families and Schools Together	-	4,139
Jefferson Children's Advocacy Center	1,660	12,329
New Voices	5,807	4,916
School Based Intervention	74,461	4,528
Good Touch Bad Touch	6,120	-
Jr. League of New Orleans	433	-
GNOF – Children Mental Health Center	15,168	-
Family and Individual Support Program Activities:		
Youth Services	-	6,908
Time-Restricted Activities:		
Reilly Foundation	-	7,000
Other	1,565	883
Clinical Symposium	6,670	-
Purchases of Property and Equipment	-	28,342
Total temporarily restricted assets released from restrictions	$ 911,886	$1,069,045

NOTE 13 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is restricted as follows:

	2008	2007
Clinical Symposium	$ 30,000	$ 30,000
Available for General Activities:		
Capital Campaign contributions	3,460	3,460
Total permanently restricted net assets	$ 33,460	$ 33,460

NOTE 13 - PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

For the year ended June 30, 2008 and 2007, the associated assets are included on the Statement of Financial Position as cash equivalents restricted for permanent endowment in the amount of $3,460 and investments in certificates of deposit in the amount of $30,000.

SUPPLEMENTAL INFORMATION

FAMILY SERVICE OF GREATER NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

Federal Grantor Pass-through Grantor Additional Pass-through Grantor Federal CFDA Program Title Family Service of Greater New Orleans Program Title	Federal CFDA or Other Identifying Number	Federal Expenditures	
Department of Health and Human Services			
Passed through Louisiana State University			
Temporary Assistance for Needy Families	93.558		
New Orleans Truancy Center		$383,096	
Jefferson Parish Truancy Assessment		18,750	$ 401,846
Passed through Louisiana Family Recovery Corps			
Passed through Greater New Orleans Knowledge Works			
Temporary Assistance for Needy Families	93.558		
LFRC – TANF2			279,542
Passed through Louisiana Department of Social Services			
Community-Based Child Abuse Prevention Grants	93.590		
Families and Schools Together		11,866	
Active Parenting Program		7,833	
The Nurturing Center		10,000	
St. Tammany Parish Program		7,154	36,853
Foster Care - Title IV-E	93.658		
Foster Care (TIPS)			7,438
Chafee Foster Care Independence Program	93.674		
Independent Living Skills			96,438
Community-Based Child Abuse Prevention Grants	93.599		
Education and Training Vouchers			43,907
Passed through Louisiana Department of Health and Hospitals			
Substance Abuse and Mental Health Service Projects of Regional and National Significance	93.243		
LA-YES Case Management		68,750	
LA-YES Crisis Intervention		27,171	95,921
Passed through Louisiana Family Recovery Corps			
Passed through Greater New Orleans Knowledge Works	93.667		
Social Services Block Grant			
LFRC – SSBG			109,912
Total Department of Health and Human Services			$1,071,857

FAMILY SERVICE OF GREATER NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2008

Federal Grantor Pass-through Grantor Additional Pass-through Grantor Federal CFDA Program Title Family Service of Greater New Orleans Program Title	Federal CFDA or Other Identifying Number	Federal Expenditures	
Department of Justice			
United States Probation Office			
Community Care Services	5025	$128,488	
Pretrial Services	5027	53,127	$ 181,615
Federal Bureau of Prisons			
Bureau of Prisons	5028		76,260
Passed through Louisiana Commission on Law Enforcement			
Crime Victim Assistance	16.575		
Domestic Violence Counseling Program		54,714	
Victims Assistance Program		45,645	
Victim Outreach Program		34,633	
Hate Crimes Counseling Program		22,688	
VOCA – WJ/CAC		1,635	159,315
Total Department of Justice			$ 417,190
Department of Labor			
Passed through Tulane University			
WIA Youth Activities	17.259		
Youth Services			71,655
Total Expenditures of Federal Awards			$ 1,560,702

FAMILY SERVICE OF GREATER NEW ORLEANS
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

NOTE 1 - The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S 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*

President and Board of Directors
Family Service of Greater New Orleans
New Orleans, Louisiana

We have audited the financial statements of Family Service of Greater New Orleans (a non-profit organization) ("Family Service") as of and for the year ended June 30, 2008, and have issued our report thereon dated October 17, 2008. We conducted our audit in accordance with generally accepted auditing standards 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 Family Service's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Family Service's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Family Service's ability to initiate, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of Family Service's financial statements that is more than inconsequential will not be prevented or detected by Family

Service's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2008-4 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements that is more than inconsequential will not be prevented or detected by Family Service's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-1, 2008-2, and 2008-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Family Service'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 instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2008-5, 2008-6 and 2008-7.

Family Service's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs as *Management's Corrective Action Plan*. We did not audit Family Service's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Operations and Administrative Committee, Board of Directors, others within the organization, 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.

Rebowe & Company

October 17, 2008

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

President and Board of Directors
Family Service of Greater New Orleans
New Orleans, Louisiana

Compliance

We have audited the compliance of Family Service of Greater New Orleans (a non-profit organization) ("Family Service") 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 June 30, 2008. Family Service'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's management. Our responsibility is to express an opinion on Family Service's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 Family Service'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 Family Service's compliance with those requirements.

In our opinion, Family Service complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2008-5, 2008-6 and 2008-7.

Internal Control over Compliance

The management of Family Service 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 Family Service's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Family Service's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-6 and 2008-7 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. None of the deficiencies in internal control over compliance are considered to be material weaknesses.

Family Service's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs as *Management's Corrective Action Plan.* We did not audit Family Service's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Operations and Administrative Committee, Board of Directors, and others within the organization, 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.

Rebowe & Company

October 17, 2008

FAMILY SERVICE OF GREATER NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008

A. SUMMARY OF AUDITOR'S RESULTS

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

2. Four (4) control deficiencies disclosed during the audit of the financial statements are 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.* One (1) condition is considered to be a significant deficiency and the other three (3) are considered material weaknesses.

3. Three instances of noncompliance material to the financial statements of Family Service of Greater New Orleans were disclosed during the audit.

4. Two significant deficiencies relating to the audit of the major federal award programs are reported in the *Report on Compliance With Requirements Applicable* to Each Major Program and *Internal Control Over Compliance in* Accordance *with OMB Circular A-133.* They are not considered to be material weaknesses.

5. The *Report on Compliance with Requirements Applicable* to Each Major *Program* and Internal *Control Over Compliance in* Accordance *with OMB Circular A-133* expresses an unqualified opinion on all 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 programs tested as major programs included:

CFDA #93.558	Temporary Assistance for Needy Families
CFDA #93.667	Social Services Block Grant

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

9. Family Service of Greater New Orleans did not qualify as a low risk auditee.

FAMILY SERVICE OF GREATER NEW ORLEANS
NOTES TO SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2008-1 CASH – ACCOUNTS RECONCILIATION (Repeat Finding)

Observation:

Our review of the bank reconciliations as of June 30, 2008 revealed a significant number of stale checks (some several years ago) that should have been eliminated during the account reconciliation process. Family Service's policy is to review, analyze, and adjust all cash account reconciliations monthly and at fiscal year end. Failure to review the bank reconciliations and remove outstanding checks hinders the accounting personnel's ability to reflect an accurate cash balance in the accounting records. As a result, a significant financial statement adjustment was recommended by us and recorded to remove these checks from the bank reconciliation and to properly state the operating cash account.

Recommendation:

We recommend that Family Service place strict emphasis on reviewing the cash account reconciliations for outstanding checks greater than 90 days. Checks that are greater than 90 days outstanding should be investigated on a timely basis to determine whether the check should be written off and removed from the bank reconciliation to avoid misstating cash. This practice will provide a stronger control over cash and the bank reconciliation process

Management's Corrective Action Plan:

Additional emphasis will be placed on reviewing the cash account monthly reconciliations for outstanding checks greater than 90 days (this had been done prior to Hurricane Katrina on a 180 day basis). Checks that are greater than 90 days outstanding will be investigated on a timely basis to determine whether the check should be written off and removed from the bank reconciliation to avoid misstating cash.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2008-2 ACCOUNTS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Observation:

Our audit procedures for accounts receivable disclosed that the aged trial balance at June 30, 2008 contained several large invoices that were at least 90 days past due and should have been written off as they were deemed uncollectible by management. Family Service's policy is to periodically review and clear uncollectible client fee accounts. Failure to periodically review the aged trial balance for uncollectible invoices and reconcile it to the general ledger hinders the accounting personnel's ability to accurately state the receivables balance in the accounting records. As a result, a significant audit adjustment of was recommended by us and recorded as bad debt in order to write off several large invoices that were deemed uncollectible by management.

In addition, the Accounting Manager was unable to reconcile the accounts receivable aged trial balance to the general ledger. As a result, an audit adjustment for a significant difference was recommended and recorded as bad debt expense.

Recommendation:

To improve control over receivables, we recommend that past-due balances, especially those invoices greater than 90 days, be reviewed monthly by the Support Services Manager and the Accounting Manager. Any outstanding balances should be resolved and appropriately cleared from accounts receivable according to Family Service's policy. Prompt corrective action should be pursued when it is believed that amounts are valid and due to be paid. Otherwise, old, questionable, or unidentified balances should be written off.

The accounts receivable detail listing should also be reconciled to the general ledger at the end of each month. Any differences should be investigated and resolved as soon as possible.

Management's Corrective Action Plan:

Past-due balances greater than 90 days will be reviewed monthly by the Support Services Manager and the Accounting Manager. Any outstanding balances will be resolved and appropriately cleared from accounts receivable according to

FAMILY SERVICE OF GREATER NEW ORLEANS
NOTES TO SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2008

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

Family Service's policy. If past due amounts are believed to be valid contact will be made with the funding source to determine payment date. Questionable balances will be written off.

The accounts receivable detail listing will be reconciled to the general ledger at the end of each month. Any differences should be investigated and resolved.

2008-3 NET ASSETS

Observation:

Our review of the client prepared June 30, 2008 unadjusted trial balance revealed that net assets (unrestricted and temporarily restricted) did not agree to the prior fiscal year's audited financial statements. As a result, material audit adjustments were required to properly state beginning net assets in agreement with prior period ending balances in the audited financial statements.

Recommendation:

We recommend that Family Service develop and implement internal control procedures as it relates to net assets to ensure that net assets are properly recorded at fiscal year end. Also, it is imperative that policies and procedures be put into place to record any restrictions on net assets and monitor compliance with them.

Management's Corrective Action Plan:

With the exception of the Fiscal 2007 audit we have always been able to balance to the audited financial statements. This has already been done with the Fiscal 2008 audit following the posting of audit journal entries. We will implement policies to properly record any restrictions on net assets and monitor compliance with them.

2008-4 FINANCIAL STATEMENT PREPARATION

Observation:

As is common with similar sized not-for-profit entities, Family Service of Greater New Orleans appears to have limited ability to produce a complete set of financial statements and footnotes in compliance with accounting principles generally accepted in the United States of America (GAAP).

FAMILY SERVICE OF GREATER NEW ORLEANS
NOTES TO SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2008

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

Recommendation:

We recommend that management continue to strive to gain the necessary expertise to prepare comprehensive financial statements in compliance with GAAP.

Management's Corrective Action Plan:

Management plans to seek guidance for appropriate accounting personnel to enable them to better prepare comprehensive financial statements in compliance with GAAP.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

2008-5 TIMELINESS AND COMPLETENESS OF REPORTING

Condition:

Family Service of Greater New Orleans did not submit their final financial report as specified in their Sub-Contract Agreement with Non Profit Knowledge Works on a timely basis. They also could not locate the final programmatic report so it is unclear if they submitted it at all much less the timing of that submission.

Criteria:

A final financial report must be submitted to Non Profit Knowledge Works within twenty-five (25) days following the end of the Term for the Temporary Assistance for Needy Families and thirty (30) days following the end of the Term for the Social Services Block Grant. Monthly programmatic reporting requirements must be submitted to Non Profit Knowledge Works by the fifth (5^{th}) of the month after the month of service delivery. Temporary Assistance for Needy Families' final programmatic report must be submitted to Non Profit Knowledge Works no later than twenty-five (25) days following the end of the Term of the Agreement. Social Services Block Grant's final programmatic report must be submitted to Non Profit Knowledge Works no later than thirty (30) days following the end of the Term of the Agreement.

Effect:

The submission of these required reports was either late or possibly not done at all.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT (CONTINUED)

Cause:

These problems appear to be a result of a lack of oversight of and turnover among Program Supervisors.

Recommendation:

We acknowledge that Family Service encountered a turnover of Program Coordinators. We recommend that Family Service attempt to provide better oversight over reporting requirements of all federal programs and institute documented procedures to ensure continuity of reporting when turnover of employees occurs.

2008-6 DOCUMENTATION

Condition:

Family Service of Greater New Orleans was unable to locate several requested client files during the course of our audit. Also, several of the client files reviewed appeared to be missing required documentation.

Criteria:

Proper documentation is required to be maintained for all federal programs and specifically in this case in order to verify participant eligibility for services received.

Effect:

Federal funds could have (although no instances were noted where they were) been used for services provided to individuals who were not eligible to receive them.

Cause:

Inadequate monitoring of files during the transfer from the Tulane Avenue office to the Canal Street office and/or inadequate monitoring of documentation on these programs contributed to missing client files.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT (CONTINUED)

Recommendation:

We recommend that Family Service institute procedures to train employees on proper documentation for all federal programs and also provide for adequate and review of required documentation.

2008-7 TEMPORARY ASSISTANCE FOR NEEDY FAMILIES, CFDA #93.558 AND SOCIAL SERVICES BLOCK GRANT, CFDA #93.667

Condition:

Family Service of Greater New Orleans recorded non-federal revenues in the general ledger account reserved for a federal program.

Criteria:

Every effort should be made to account for federal funds separately from non-federal funds in order to ensure accurate and timely reporting of federal funding received and expended.

Effect:

The federal revenue accounts were overstated by the amount of non-federal revenue included in the accounts.

Cause:

Improper accounting and maintenance of the federal revenue accounts resulted in non-federal funds being combined with federal funds from an accounting standpoint.

Recommendation:

We recommend that federal revenues received be reconciled to the associated general ledger accounts at least quarterly.

FAMILY SERVICE OF GREATER NEW ORLEANS
NOTES TO SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2008

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT (CONTINUED)

A. Response to Findings

Management agrees with the above described findings. Management's specific responses to these findings and questioned costs are included in a separately prepared Corrective Action Plan.

FAMILY SERVICE OF GREATER NEW ORLEANS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2008

PRIOR AUDIT FINDINGS - FINANCIAL STATEMENTS AUDIT

2007-1 CASH – ACCOUNTS RECONCILIATION

Condition:

The operating account was reconciled; however, there were unusual reconciling items that should have been investigated and corrected. As a result, incorrectly posted items occurred and required adjustment. Also, the certificate of deposit and money market accounts should be reconciled and adjusted monthly (i.e., record interest income).

Recommendation:

Procedures should be implemented requiring that all monthly cash account reconciliations be reviewed, analyzed, and adjusted.

Current Status:

Management explained that this issue was primarily the result of Hurricane Katrina. Family Service was suffering from staff shortages as explained in finding 2007-5. The shortages of accounting personnel prohibited Family Service from thoroughly reviewing the cash account reconciliations.

Management suggested that Family Service has resumed its pre-Katrina procedures of reviewing, analyzing, and adjusting all monthly cash account reconciliations.

2007-2 PREPAID EXPENSES

Condition:

Prepaid expense accounts were not analyzed and adjusted.

Recommendation:

Procedures should be implemented to ensure that the prepaid expense accounts are reviewed for reasonableness. Unusual balances should be analyzed and adjusted.

Current Status:

Management concurred with the recommendation. Proper procedures had been in place prior to Hurricane Katrina. As explained in finding 2007-5 below, staff

PRIOR AUDIT FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

shortages impeded a thorough analysis of many accounts. Family Service has resumed its pre-Katrina procedures.

2007-3 ACCRUAL BASIS OF ACCOUNTING - CUTOFF

Condition:

Accounting for contributions receivable is performed on a cash basis of accounting; thus, cutoff at year-end was not properly evaluated and recorded.

Recommendation:

Procedures should be implemented requiring the consistent use of cutoff procedures. These procedures will ensure that amounts are recorded in the appropriate period.

Current Status:

Management concurred with the recommendation. The issue revolves about the accounting for United Way Phase III and Phase IV grants, which are required to be recognized as revenue when the grant is awarded, not when the cash is actually received in subsequent months. Management is aware of the proper procedure. This issue was primarily the result of Hurricane Katrina which created staff shortages as explained in finding 2007-5. This was a one-time situation. In normal times, Family Service did and does utilize accrual accounting procedures.

2007-4 ACCOUNTS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Condition:

Certain current year postings to accounts receivable were incorrect and other items were determined to be uncollectible. The incorrect items can be categorized as (1) recording some bills twice, (2) not revising billed amounts for disallowed costs, and (3) posting a cash receipt to another asset account instead of accounts receivable. The uncollectible items were attributed to bills from previous periods that were determined to be not valid or no longer collectible.

Recommendation:

Procedures should be implemented to ensure that the recorded balances are correct and collectible.

PRIOR AUDIT FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2007-4 ACCOUNTS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS (Continued)

Current Status:

Management concurred with this comment and is aware of the proper procedures. These issues were primarily the result of Hurricane Katrina which created staff shortages as explained in finding 2007-5 (in fact, the two staff responsible for the double recording of some bills are no longer with the accounting department – note: when the bills were initially sent out revenue was properly credited and accounts receivable properly debited. When payment was received cash was properly debited, but revenue was improperly credited, rather than accounts receivable).

Review procedures are in place that should prevent this problem from recurring.

2007-5 FINANCIAL REPORT SUBMISSION

Condition:

Financial statement reporting packages to state and federal authorities are late.

Recommendation:

We recommend that Family Service submit the required reporting package as soon as possible. Also Family Service should plan to begin and complete their future annual audit sooner than in prior years.

Current Status:

Family Service's tardiness relative to the fiscal year 2005, 2006 and 2007 audits was entirely due to the impact of Hurricane Katrina in our area. Prior to Hurricane Katrina, the annual audit had always taken place in the fall of each year. Records indicate that Family Service had always timely filed copies of audits with the Federal Audit Clearing House, the Louisiana Legislative Auditor's office, state agencies, as well as the local United Way. Family Service's main office was located in a flooded area of New Orleans which prevented management and other employees from reoccupying the office until early 2006.

FAMILY SERVICE OF GREATER NEW ORLEANS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
For the Year Ended June 30, 2008

PRIOR AUDIT FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2007-5 FINANCIAL REPORT SUBMISSION (Continued)

The office of Family Service has been unavailable for use only one (1) time since Hurricane Katrina due to an electrical fire and HVAC problems in the building where it is located.

Family Service had also been understaffed in its business office since Hurricane Katrina. One of the results of the displacements caused by the storm was the loss of all business office staff except the Accounting Manager – a loss of nearly 70 years of combined experience. Management has had difficulty filling open positions with qualified individuals due to labor shortages in the community. All open positions were finally filled in the fall of 2007.

Family Service is back on schedule for the Fiscal 2008 audit.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

DEPARTMENT OF HEALTH AND HUMAN SERVICES

2007-6 TEMPORARY ASSISTANCE FOR NEEDY FAMILIES, CFDA #93.558 AND SOCIAL SERVICES BLOCK GRANT, CFDA #93.667

Condition:

As mentioned in 2007-1 and 2007-2 above; certain accounts required adjustments. Some of the adjustments, if they had been recorded, may have affected amounts charged to major federal programs.

Recommendation:

As mentioned in 2007-1 and 2007-3, accounts should be reconciled and adjusted.

Current Status:

Management did not entirely agree with this comment. The majority of the "questioned costs" were the results of invoices that were apparently lost in the post Hurricane Katrina flooding of U.S. Mail facilities. When the invoices were

PRIOR AUDIT FINDINGS - FINANCIAL STATEMENTS AUDIT (CONTINUED)

2007-6 TEMPORARY ASSISTANCE FOR NEEDY FAMILIES, CFDA #93.558 AND SOCIAL SERVICES BLOCK GRANT, CFDA #93.667 (Continued)

finally received some amounts were disputed (primarily telephone and copier services that were not available post Katrina). Settlement was finally reached in the 2007 fiscal year and funding sources were billed. If this resulted in the amounts charged to federal awards programs being potentially overstated in FY07 as stated above, then the converse may also be true – that the amount charged to federal awards programs was potentially understated in prior fiscal years.

This was an unusual situation related to the impact of Hurricane Katrina and should not recur.

2007-7 TEMPORARY ASSISTANCE FOR NEEDY FAMILIES, CFDA #93.558 AND SOCIAL SERVICES BLOCK GRANT, CFDA #93.667

Condition:

As mentioned in 2007-5 above, Family Service of Greater New Orleans did not submit a reporting package to the Audit Clearinghouse within nine months after the end of the audit period as specified in OMB Circular A-133, Section 320 (a).

Recommendation:

We recommend that Family Service submit the required reporting package as soon as possible. Also, Family Service should plan to begin and complete their future annual audit sooner than in prior years.

Current Status:

The reporting package was submitted by May 2008.

Family Service is back on schedule for the Fiscal 2008 audit such that all timelines and deadlines will be met.

FAMILY SERVICE OF GREATER NEW ORLEANS

Communication of Internal Control Matters

For the Year Ended June 30, 2008

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October 17, 2008

President and Board of Directors
Family Service of Greater New Orleans
New Orleans, Louisiana

In planning and performing our audit of the financial statements of Family Service of Greater New Orleans ("Family Service") for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Family Service's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Family Service's internal control. Accordingly, we do not express an opinion on the effectiveness of Family Service's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in Family Service's internal control to be material weaknesses:

2008-1 CASH – ACCOUNTS RECONCILIATION (Repeat Finding)

Observation:

Our review of the bank reconciliations as of June 30, 2008 revealed a significant number of stale checks (some several years ago) that should have been eliminated during the account reconciliation process. Family Service's policy is to review, analyze, and adjust all cash account reconciliations monthly and at fiscal year end.

2008-1 CASH – ACCOUNTS RECONCILIATION (Repeat Finding) (Continued)

Failure to review the bank reconciliations and remove outstanding checks hinders the accounting personnel's ability to reflect an accurate cash balance in the accounting records. As a result, a significant financial statement adjustment was recommended by us and recorded to remove these checks from the bank reconciliation and to properly state the operating cash account.

Recommendation:

We recommend that Family Service place strict emphasis on reviewing the cash account reconciliations for outstanding checks greater than 90 days. Checks that are greater than 90 days outstanding should be investigated on a timely basis to determine whether the check should be written off and removed from the bank reconciliation to avoid misstating cash. This practice will provide a stronger control over cash and the bank reconciliation process.

Management's Corrective Action Plan:

Additional emphasis will be placed on reviewing the cash account monthly reconciliations for outstanding checks greater than 90 days (this had been done prior to Hurricane Katrina on a 180 day basis). Checks that are greater than 90 days outstanding will be investigated on a timely basis to determine whether the check should be written off and removed from the bank reconciliation to avoid misstating cash.

2008-2 ACCOUNTS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Observation:

Our audit procedures for accounts receivable disclosed that the aged trial balance at June 30, 2008 contained several large invoices that were at least 90 days past due and should have been written off as they were deemed uncollectible by management. Family Service's policy is to periodically review and clear uncollectible client fee accounts. Failure to periodically review the aged trial balance for uncollectible invoices and reconcile it to the general ledger hinders the accounting personnel's ability to accurately state the receivables balance in the accounting records. As a result, a significant audit adjustment of was recommended by us and recorded as bad debt in order to write off several large invoices that were deemed uncollectible by management.

In addition, the Accounting Manager was unable to reconcile the accounts receivable aged trial balance to the general ledger. As a result, an audit adjustment for a significant difference was recommended and recorded as bad debt expense.

2008-2 ACCOUNTS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS (Continued)

Recommendation:

To improve control over receivables, we recommend that past-due balances, especially those invoices greater than 90 days, be reviewed monthly by the Support Services Manager and the Accounting Manager. Any outstanding balances should be resolved and appropriately cleared from accounts receivable according to Family Service's policy. Prompt corrective action should be pursued when it is believed that amounts are valid and due to be paid. Otherwise, old, questionable, or unidentified balances should be written off.

The accounts receivable detail listing should also be reconciled to the general ledger at the end of each month. Any differences should be investigated and resolved as soon as possible.

Management's Corrective Action Plan:

Past-due balances greater than 90 days will be reviewed monthly by the Support Services Manager and the Accounting Manager. Any outstanding balances will be resolved and appropriately cleared from accounts receivable according to Family Service's policy. If past due amounts are believed to be valid contact will be made with the funding source to determine payment date. Questionable balances will be written off.

The accounts receivable detail listing will be reconciled to the general ledger at the end of each month. Any differences should be investigated and resolved.

2008-3 NET ASSETS

Observation:

Our review of the client prepared June 30, 2008 unadjusted trial balance revealed that net assets (unrestricted and temporarily restricted) did not agree to the prior fiscal year's audited financial statements. As a result, material audit adjustments were required to properly state beginning net assets in agreement with prior period ending balances in the audited financial statements.

Recommendation:

We recommend that Family Service develop and implement internal control procedures as it relates to net assets to ensure that net assets are properly recorded at fiscal year end. Also, it is imperative that policies and procedures be put into place to record any restrictions on net assets and monitor compliance with them.

2008-3 NET ASSETS (continued)

Management's Corrective Action Plan:

With the exception of the Fiscal 2007 audit we have always been able to balance to the audited financial statements. This has already been done with the Fiscal 2008 audit following the posting of audit journal entries. We will implement policies to properly record any restrictions on net assets and monitor compliance with them.

A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control.

2008-4 FINANCIAL STATEMENT PREPARATION

Observation:

As is common with similar sized not-for-profit entities, Family Service of Greater New Orleans appears to have limited ability to produce a complete set of financial statements and footnotes in compliance with accounting principles generally accepted in the United States of America (GAAP).

Recommendation:

We recommend that management continue to strive to gain the necessary expertise to prepare comprehensive financial statements in compliance with GAAP.

Management's Corrective Action Plan:

Management plans to seek additional training for appropriate accounting personnel to enable them to prepare comprehensive financial statements in compliance with GAAP.

This communication is intended solely for the information and use of the Operations and Administrative Committee, Board of Directors, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Rebowe & Company