

GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC
REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL TRANSACTIONS

September 19, 1996

Board of Directors
Calcasieu Association for
Retarded Citizens, Inc.
Lake Charles, Louisiana

We have audited the financial statements of Calcasieu Association for Retarded Citizens, Inc. (CARC) (a nonprofit organization) as of and for the year ended June 30, 1996, and have issued our report thereon dated September 19, 1996.

In connection with our audit of the financial statements of CARC and with our consideration of CARC's internal control structure used to administer financial programs, as required by Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions", we selected certain transactions applicable to certain nonmajor financial programs for the year ended June 30, 1996. As required by OMB Circular A-133, we performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed, eligibility, and reporting that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on CARC's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that CARC had not complied, in all material respects, with those requirements.

This report is intended for the information of the Board of Directors, management, and the Louisiana Legislative Auditor and grantor agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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CALCASIEU ASSOCIATION FOR RETARDED CITIZENS, INC.

Notes to Financial Statements - Continued

June 30, 1996

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

15. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 1996 consists of the principal amount of a donation received in a prior fiscal year. The donor placed certain stipulations on the use of these funds. As of June 30, 1996, none of the original donation of \$15,000 had been expended. Thus, included under the caption cash and cash equivalents is restricted cash of \$15,000.

NOTE B - CASH AND CASH EQUIVALENTS

As of June 30, 1996, cash and cash equivalents consisted of the following:

Operating accounts, net of outstanding items	\$ 140,600
Mutual funds	155,541
Certificates of Deposit	<u>668,626</u>
	\$ <u>964,767</u>

Aggregate unrealized appreciation at June 30, 1996 on the mutual funds and certificates of deposit totalled \$10,431.

All cash deposits in operating accounts and certificates of deposit were fully collateralized at June 30, 1996, either by FDIC limits or by pledged securities. However, a significant risk of loss existed at June 30, 1996 with regard to the monies invested in mutual funds because those funds are not insured against market risk.

NOTE C - NOTES RECEIVABLE

Notes receivable consist of the following:

A note dated August 6, 1992 receivable in monthly installments of \$313 including interest at 9%; secured by real estate	\$ 5,424
Less current maturities	<u>3,404</u>
Long-term portion	\$ <u>2,020</u>

Continued

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH GENERAL
REQUIREMENTS APPLICABLE TO FEDERAL PROGRAMS

September 19, 1996

Board of Directors
Calcasieu Association for
Retarded Citizens, Inc.
Lake Charles, Louisiana

We have audited the financial statements of Calcasieu Association for Retarded Citizens, Inc. (CARC) (a nonprofit organization) as of and for the year ended June 30, 1996, and have issued our report thereon dated September 19, 1996.

We have applied procedures to test CARC's compliance with the following requirements applicable to its financial programs, which are identified in the accompanying Schedule of Federal Awards, for the year ended June 30, 1996:

- Political activity
- Civil rights
- Cash management
- Financial reports
- Allowable costs/cost principles
- Drug-free workplace

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Audits of Institutions of Higher Learning and Other Non-Profit Institutions". Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on CARC's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that CARC has not complied, in all material respects, with those requirements.

This report is intended for the information of the Board of Directors, management, and the Louisiana Legislative Auditor and grantor agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal awards programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal award programs in the following categories:

Accounting Applications

- Cash and investments
- Support, receivables and receipts
- Program services fees, revenue and receivables
- Donated materials, facilities and services
- Expenses for program and supporting services and accounts payable
- Payroll and related liabilities
- Inventories
- Property and equipment
- Debt and other liabilities
- Fund balance
- Governmental financial assistance programs

General Compliance Requirements

- Political activity
- Civil rights
- Cash management
- Financial reports
- Allowable costs/cost principles
- Drug-free workplace

Specific Compliance Requirements

- Types of services allowed or not allowed
- Eligibility
- Allowability of amounts claimed

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

During the year ended June 30, 1996, CARC had no major federal award programs and expended 74.9% of its total federal awards under the nonmajor program of IDEA, Part H.

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INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL
STRUCTURE USED IN ADMINISTERING FEDERAL AWARDS

September 19, 1996

Board of Directors
Calcasieu Association for
Retarded Citizens, Inc.
Lake Charles, Louisiana

We have audited the financial statements of Calcasieu Association for Retarded Citizens, Inc. (CARC) (a nonprofit organization) as of and for the year ended June 30, 1996, and have issued our report thereon dated September 19, 1996.

We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit for the year ended June 30, 1996, we considered CARC's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on CARC's financial statements and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to financial programs. We have addressed policies and procedures relevant to our audit of the financial statements in a separate report dated September 19, 1996.

The management of CARC is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
BASED ON AN AUDIT OF BASIC FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

September 19, 1996

To the Board of Directors
Calcasieu Association for
Retarded Citizens, Inc.

We have audited the financial statements of Calcasieu Association for Retarded Citizens, Inc. (CARC) (a nonprofit organization) as of and for the year ended June 30, 1996, and have issued our report thereon dated September 19, 1996.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States and provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations". Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to CARC is the responsibility of CARC's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of CARC's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. 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.

This report is intended for the information of the Association's Board of Directors, management, and the Louisiana Legislative Auditor and grantor agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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In planning and performing our audit of the financial statements of CARC for the year ended June 30, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Directors, Management, and the Louisiana Legislative Auditor and grantor agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

September 19, 1996

To the Board of Directors
Calcasieu Association for
Retarded Citizens, Inc.

We have audited the financial statements of Calcasieu Association for Retarded Citizens, Inc. (CARC) (a nonprofit organization), as of and for the year ended June 30, 1996, and have issued our report thereon dated September 19, 1996.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States and provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations". Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of CARC is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

<u>Pass-through Grantor's Number</u>	<u>Program Amount</u>	<u>Deferred Revenue at July 1, 1995</u>	<u>Revenue Recognized</u>	<u>Expendi- tures</u>	<u>Deferred Revenue at June 30, 1996</u>
CACFP	\$ 13,400	\$ -	\$ 13,400	\$ 13,400	\$ -
-	6,321	-	6,321	6,321	-
95-CIT5-AR	58,974	<u>-</u>	<u>58,974</u>	<u>58,974</u>	<u>-</u>
		\$ <u>-</u>	\$ <u>78,695</u>	\$ <u>78,695</u>	\$ <u>-</u>

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INDEPENDENT AUDITORS' REPORT ON
SCHEDULE OF FEDERAL AWARDS

September 19, 1996

To the Board of Directors
Calcasieu Association for
Retarded Citizens, Inc.

We have audited the financial statements of Calcasieu Association for Retarded Citizens, Inc. (CARC) (a nonprofit organization) for the year ended June 30, 1996, and have issued our report thereon dated September 19, 1996. These financial statements are the responsibility of CARC's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States and provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Non-profit Organizations". Those standards and OMB Circular A-133 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Calcasieu Association for Retarded Citizens, Inc. taken as a whole. The accompanying Schedule of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule 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.

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<u>Residential Services</u>	<u>Supervised Independent Living</u>	<u>Respite</u>	<u>Eliminations</u>	<u>Total</u>
\$ -	\$ 51,023	\$ 51,546	\$ -	\$ 1,351,513
1,496,001	107,871	36,855	-	1,833,364
-	-	4,950	-	134,496
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,864</u>
1,496,001	158,894	93,351	-	3,326,237
-	-	-	-	1,610
106,944	-	48	(190,950)	146,170
-	-	-	-	494
1,193	113	-	(32,008)	1,029,251
-	-	-	-	103,504
<u>(412)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,011)</u>
<u>107,725</u>	<u>113</u>	<u>48</u>	<u>(222,958)</u>	<u>1,280,018</u>
1,603,726	159,007	93,399	(222,958)	4,606,255
1,514,298	105,179	83,458	(222,958)	4,396,865
-	-	-	-	21,575
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,053</u>
<u>1,514,298</u>	<u>105,179</u>	<u>83,458</u>	<u>(222,958)</u>	<u>4,423,493</u>
\$ <u>89,428</u>	\$ <u>53,828</u>	\$ <u>9,941</u>	\$ <u>-</u>	\$ <u>182,762</u>

SUPPLEMENTARY INFORMATION

CALCASIEU ASSOCIATION FOR RETARDED CITIZENS, INC.

Notes to Financial Statements - Continued

June 30, 1996

NOTE I - CONTINGENCIES

As of June 30, 1996, CARC was involved in litigation regarding a worker's compensation claim involving an injury incurred in 1991 by a former employee. The claim is covered by insurance and the Association's attorneys believe it is extremely unlikely that there would be any financial impact against CARC due to this litigation.

In addition, the Association is defendant in an Equal Employment Opportunity Commission (EEOC) claim filed by a former employee alleging discriminatory discharge. To present, the EEOC has been unable to conclude that CARC was in violation.

We performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we have considered relevant to preventing or detecting material noncompliance with specific requirements; general requirements; and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the aforementioned nonmajor programs. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal awards would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Directors, management, and the Louisiana Legislative Auditor and grantor agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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CALCASIEU ASSOCIATION FOR RETARDED CITIZENS, INC.

Notes to Financial Statements - Continued

June 30, 1996

NOTE D - NOTES PAYABLE

Notes payable at June 30, 1996 is as follows:

State of Louisiana, Department of Health and Human Resources, Baton Rouge, Louisiana: Note dated June 14, 1982, payable \$468 monthly without interest, unsecured	\$ 26,212
Less current maturities	<u>3,745</u>
Long-term portion	\$ <u>22,467</u>

The payments on the note payable to the State of Louisiana are currently under suspension as indicated by a resolution passed by the Louisiana legislature. However, an indication has been made that repayment will begin within the subsequent fiscal year. Repayment terms are indefinite and actual repayment obligation is uncertain; as a result, and due to the insignificant amount, no imputed interest has been provided in the financial statements.

NOTE E - DEPOSITS

Included in deposits at June 30, 1996 is a refundable deposit premium of \$22,561 on the Association's worker's compensation policy which was refunded to the organization subsequent to June 30, 1996.

NOTE F - MEDICAID PROVIDER FEE

The Association's residential services program is required, under Louisiana R.S. 46:2601-2605, to pay to the Department of Health and Hospitals a fee per patient day for each bed which is in use or reserved for a patient. The total of such fees for the year ended June 30, 1996 is \$115,732.

NOTE G - RELATED PARTY TRANSACTIONS

Included in unrestricted cash at June 30, 1996 are investments of \$148,031 held through an investment company of which a member of the board of directors is an employee. Estimated effective interest rates on the investments at June 30, 1996 averaged 6.8%.

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CALCASIEU ASSOCIATION FOR RETARDED CITIZENS, INC.
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
For the year ended June 30, 1996

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date DEC 18 1996

DEC 18 1996

CALCASIEU ASSOCIATION FOR RETARDED CITIZENS, INC.

Notes to Financial Statements - Continued

June 30, 1996

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. Donated Services

No amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the organization's program services.

12. Designated Net Assets

At its discretion, the Board may designate revenue for specific purposes. Any Board-designated funds would be segregated under the unrestricted net assets.

13. Inventory

Inventory is stated at the lower of cost or market. Cost is determined under the first-in, first-out method of accounting.

14. Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. In the event that restricted support is received in the same period as the restriction lapses, CARC follows the practice of reporting the support as unrestricted.

Continued

CALCASIEU ASSOCIATION FOR RETARDED CITIZENS, INC.

Notes to Financial Statements - Continued

June 30, 1996

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Property, Plant, and Equipment

The Association follows the practice of recording assets at cost or estimated fair value of donated assets at date of donation. All assets with estimated useful life in excess of one year are capitalized. Depreciation and amortization is provided on the straight-line method at rates calculated to allocate the recorded amounts over the estimated useful lives of the assets. Depreciation and amortization amounted to \$211,835 for the year ended June 30, 1996 and may be allocated as follows:

Assets stated at historical cost	\$ 208,893
Donated assets recorded at fair value	<u>2,942</u>
Total	\$ <u>211,835</u>

8. Expense Allocation

Direct costs are charged directly to the grants and programs in which the expense is incurred or they are allocated to the grants and programs based on the proportion of benefit resulting from the particular expenditure. All other costs not identifiable as direct charges are regarded as "central office overhead" and accumulated in a pool. This pool is distributed monthly to the grants and programs based on the proportion of each grant's/program's direct costs to total direct costs, computed on a monthly basis.

9. Eliminations

For report purposes, all significant inter-departmental accounts and transactions have been eliminated.

10. Income Taxes

The Association is a nonprofit organization under Section 501(c)3 of the Internal Revenue Code and generally is not subject to income taxes according to the provisions of Federal and Louisiana State income tax laws and regulations. In addition, CARC has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) (1) of the code.

Continued

CALCASIEU ASSOCIATION FOR RETARDED CITIZENS, INC.

Notes to Financial Statements - Continued

June 30, 1996

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

3. Basis of Presentation

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

4. Use of Estimates

The preparation of financial statements in conformity with 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Cash and Cash Equivalents

The Association considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

6. Investments

Investments consist of U.S. Treasury notes which do not meet the Association's definition of cash equivalents. The investments are carried at aggregate amortized cost which is less than aggregate market value. The aggregate market value of the investments at June 30, 1996 amounted to \$862,486 with unrealized appreciation for the year totaling \$3,471 compared to \$11,366 for the prior year.

Included in restricted investments are U.S. Treasury notes totalling \$232,196 pledged to the Louisiana Department of Labor, Office of Worker's Compensation. Subsequent to June 30, 1996, the pledged U.S. Treasury notes were released from this restriction.

Continued

CALCASIEU ASSOCIATION FOR RETARDED CITIZENS, INC.

Notes to Financial Statements

June 30, 1996

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Calcasieu Association for Retarded Citizens, Inc. (CARC) is presented to assist in understanding CARC's financial statements. The financial statements and notes are representations of CARC's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles, which have been consistently applied in the preparation of the financial statements.

1. Nature of Activities

Calcasieu Association for Retarded Citizens, Inc. was organized under Section 501(c)(3) of the Internal Revenue Code as a nonprofit organization for the purpose of providing the following services to mentally and physically handicapped persons (clients) in Southwest Louisiana:

Work Activity - Clients provide services to area businesses on a contract basis and produce various merchandise for resale to the public.

Adult Habilitation - Adults are taught day to day living skills and work opportunities.

Infant Habilitation - Infants through three years of age are taught basic developmental skills.

Residential Services - The Association maintains six community homes which house six clients each on a "round the clock" supervised basis.

Supervised Independent Living - Clients are placed in local apartments and are supervised on a day-to-day, part-time basis.

Respite Services - The Association provides sitters for parents and guardians of clients.

The majority of the funding for the above programs is provided by Medicaid and the State offices of the Louisiana Department of Health and Hospitals. Without this funding, the Association would be forced to find alternative funding sources in order to maintain operations.

Continued

CALCASIEU ASSOCIATION FOR RETARDED CITIZENS, INC.

Statement of Cash Flows

Year Ended June 30, 1996

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 182,762
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Amortization of premiums (discounts) on investments	(4,389)
Depreciation	211,835
Bad debts	2,850
Department of Transportation vehicle grant	(39,012)
Loss on the disposition of assets	1,011
(Increase) decrease in:	
Accounts receivable	12,299
Accrued interest receivable	(4,640)
Inventory	176
Prepaid expenses	900
Deposits	400
Increase (decrease) in:	
Accounts payable	(6,399)
Payroll taxes payable	9,868
Accrued expenses - other	<u>(1,529)</u>
NET CASH PROVIDED BY OPERATIONS	366,132
CASH FLOWS FROM INVESTING ACTIVITIES	
Collections on notes receivable	3,113
Proceeds from maturity of investments	263,000
Purchases of new investments	(391,652)
Proceeds from sale of fixed assets	1,200
Purchases of fixed assets, including deposits made	<u>(253,450)</u>
NET CASH USED BY INVESTING ACTIVITIES	(377,789)
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal reduction in amount owed to United Way	<u>(2,625)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(2,625)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,282)
Cash and cash equivalents, July 1, 1995	<u>979,049</u>
Cash and cash equivalents, June 30, 1996	\$ <u>964,767</u>
SUPPLEMENTAL DISCLOSURES	
Cost of purchased transportation equipment financed through Louisiana Department of Transportation and Development vehicle grant	\$ <u>39,012</u>

The accompanying notes are an integral part of this statement.

CALCASIEU ASSOCIATION FOR RETARDED CITIZENS, INC.

Statement of Functional Expenses - Continued

Year Ended June 30, 1996

	<u>Supporting Services</u>	
	<u>Management and General</u>	<u>Fund Raising</u>
Salaries and wages	\$ -	\$ 4,128
Payroll taxes	-	<u>314</u>
Total salaries and related expenses	-	4,442
Advertising	-	-
ARC membership fees	433	-
Bad debts	-	-
Central office overhead	1,313	-
Consultants	-	-
Contract services	1,635	-
Day care tuition	-	-
Designated donations expense	1,292	-
Dues and subscriptions	6,589	-
Employee benefits	-	176
Habilitative services	-	-
Insurance	164	-
Licenses	-	-
Medicaid provider fees	-	-
Medical	-	-
Miscellaneous	7,965	214
Office expense	55	-
Professional services	-	-
Purchases - resale items	-	-
Rent	-	-
Repairs and maintenance	366	-
Seminars	210	-
Supplies	401	-
Telephone	-	-
Transportation	-	-
Travel	-	221
Utilities	776	-
Vending machines purchases	<u>-</u>	<u>-</u>
Total expenses before depreciation expense	21,199	5,053
Depreciation expense	<u>376</u>	<u>-</u>
	<u>\$ 21,575</u>	<u>\$ 5,053</u>

The accompanying notes are an integral part of this statement.

Program Services

Residential Services	Supervised Living	Respite	Eliminations	Total
\$ 524,825	\$ 57,429	\$ 59,367	\$ -	\$ 2,230,123
<u>41,779</u>	<u>4,578</u>	<u>4,854</u>	<u>-</u>	<u>175,392</u>
566,604	62,007	64,221	-	2,405,515
50	-	-	-	542
-	-	-	-	-
545	2,119	-	-	2,850
324,523	22,494	12,674	-	613,667
55,661	2,250	-	-	59,551
1,046	-	-	-	8,172
-	-	-	-	1,514
-	-	-	-	367
1,350	-	-	-	1,350
6,640	146	-	-	27,615
188,876	-	-	(188,876)	-
33,185	1,773	635	-	134,261
2,777	-	215	-	5,297
115,732	-	-	-	115,732
483	-	-	-	969
12,595	2,078	191	-	21,081
-	-	114	-	1,724
900	-	-	-	26,627
-	-	-	-	245,191
1,800	-	-	-	4,351
10,770	1,241	-	(31,634)	53,849
2,083	355	175	-	15,519
103,243	5,202	649	(374)	237,109
2,029	478	682	-	14,665
19,177	1,091	-	(2,074)	72,550
2,390	3,885	3,561	-	48,233
23,684	-	-	-	75,196
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,837</u>
1,476,143	105,119	83,117	(222,958)	4,211,334
<u>38,155</u>	<u>60</u>	<u>341</u>	<u>-</u>	<u>185,531</u>
\$ <u>1,514,298</u>	\$ <u>105,179</u>	\$ <u>83,458</u>	\$ <u>(222,958)</u>	\$ <u>4,396,865</u>

GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

CALCASIEU ASSOCIATION FOR RETARDED CITIZENS, INC.

Statement of Activities

Year Ended June 30, 1996

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE, GAINS AND OTHER SUPPORT			
Federal, state and local grants/contracts	\$ 1,351,513	\$ -	\$ 1,351,513
Medicaid	1,833,364	-	1,833,364
United Way grant	134,496	-	134,496
Contributions	6,864	-	6,864
Membership dues	1,610	-	1,610
Auxiliary activities	1,029,251	-	1,029,251
Other program fees	146,170	-	146,170
Fund raising	494	-	494
Investment income	<u>103,504</u>	<u>-</u>	<u>103,504</u>
 TOTAL REVENUES, GAINS AND OTHER SUPPORT	 4,607,266	 -	 4,607,266
EXPENSES AND LOSSES			
Program services	4,396,865	-	4,396,865
Supporting services			
Management and general	21,575	-	21,575
Fund raising	<u>5,053</u>	<u>-</u>	<u>5,053</u>
 TOTAL EXPENSES	 4,423,493	 -	 4,423,493
Loss on disposal of assets	<u>1,011</u>	<u>-</u>	<u>1,011</u>
 TOTAL EXPENSES AND LOSSES	 <u>4,424,504</u>	 <u>-</u>	 <u>4,424,504</u>
 CHANGE IN NET ASSETS	 182,762	 -	 182,762
NET ASSETS AT BEGINNING OF YEAR	<u>3,520,413</u>	<u>15,000</u>	<u>3,535,413</u>
 NET ASSETS AT END OF YEAR	 \$ <u>3,703,175</u>	 \$ <u>15,000</u>	 \$ <u>3,718,175</u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current portion of long-term debt	\$	3,745
Accounts payable		38,933
Payroll taxes payable		53,713
Accrued expenses - other		<u>11,684</u>
Total current liabilities		108,075

LONG-TERM DEBT, less current maturities 22,467

NET ASSETS

Unrestricted		3,703,175
Temporarily restricted		<u>15,000</u>
		<u>3,718,175</u>

\$ 3,848,717

Calcasieu Association for
Retarded Citizens, Inc.
Page Two

In accordance with Government Auditing Standards, we have also issued a report dated September 19, 1996, on our consideration of Calcasieu Association for Retarded Citizens, Inc.'s internal control structure and a report dated September 19, 1996 on its compliance with laws and regulations.

As discussed in Note H to the financial statements, for the year ended June 30, 1996, the Association changed its method of accounting for contributions and its method of financial reporting and financial statement presentation.

Gragson Casiday & Guillory

GRAGSON, CASIDAY & GULLORY, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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MICHELLE BOURNE, C.P.A.
COY VINCENT, C.P.A.

INDEPENDENT AUDITORS' REPORT

September 19, 1996

To the Board of Directors
Calcasieu Association for
Retarded Citizens, Inc.

We have audited the accompanying statement of financial position of Calcasieu Association for Retarded Citizens, Inc. (a nonprofit organization), as of June 30, 1996, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations". 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 presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Calcasieu Association for Retarded Citizens, Inc. as of June 30, 1996, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 21 and 22 is presented for purposes of additional analysis 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.

By 

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3-4
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	5-6
STATEMENT OF ACTIVITIES	7
STATEMENT OF FUNCTIONAL EXPENSES	8-10
STATEMENT OF CASH FLOWS	11
NOTES TO FINANCIAL STATEMENTS	12-19
SUPPLEMENTARY INFORMATION	
SCHEDULE OF SUPPORT, REVENUES, AND EXPENSES - DEPARTMENTALIZED	21-22
INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF FEDERAL AWARDS	23
SCHEDULE OF FEDERAL AWARDS	24-25
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	26-27
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	28
INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL AWARDS	29-31
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH GENERAL REQUIREMENTS APPLICABLE TO FEDERAL PROGRAMS	32
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL TRANSACTIONS	33

CALCASIEU ASSOCIATION FOR RETARDED CITIZENS, INC.

Notes to Financial Statements - Continued

June 30, 1996

NOTE G - RELATED PARTY TRANSACTIONS - CONTINUED

Included in accounts receivable-other at June 30, 1996 are operating advances made in prior fiscal years of \$31,400 made to Louisiana Disabled Persons Finance Corporation, an affiliated non-profit organization under a common board of directors. Summarized financial data of Louisiana Disabled Persons Finance Corporation as of and for the year ended June 30, 1996 is as follows:

Total Assets	\$ 528,841
Total Liabilities	<u>622,493</u>
Net Assets	\$ <u>(93,652)</u>
Total Revenue	\$ 86,127
Total Expenses	<u>103,051</u>
Change in Net Assets	\$ <u>(16,924)</u>

NOTE H - CHANGE IN ACCOUNTING PRINCIPLES

The Association elected to adopt Statement of Financial Accounting Standards (SFAS) No. 116, Accounting for Contributions Received and Contributions Made, during the year ended June 30, 1996. 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. As permitted by SFAS No. 116, CARC has retroactively applied the provisions of this new Statement by restating net assets as of June 30, 1995. The adjustment of \$15,000 made to net assets as of June 30, 1995, represents temporarily restricted contributions previously reported as deferred revenue. Under SFAS No. 116, such items are required to be reported as support upon the occurrence of the receipt. The effect of this new statement on the Association's change in net assets for the year ended June 30, 1995, as previously reported, was an increase of \$15,000.

In addition, CARC adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, CARC 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. In addition, CARC is required to present a Statement of Cash Flows. As permitted by this new Statement, the Association has reclassified its financial statements to present the three classes of net assets required. This reclassification had no effect on the change in net assets for the current and prior fiscal years.

Continued