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**RICHLAND ASSOCIATION FOR
RETARDED CITIZENS, INCORPORATED**
Bella, Louisiana

Financial Statements
With Independent Auditor's Report
As of and for the Year Ended
June 30, 1997

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

Printed Date: **DEC 10 1997**

REHABILITATION ASSOCIATION FOR
RETARDED CITIZENS, INCORPORATED
Bella, Louisiana

Financial Statements
With Independent Auditor's Report
As of and for the Year Ended June 30, 1999

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M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

**RICHLAND ASSOCIATION FOR
RETARDED CITIZENS, INCORPORATED**
Baldi, Louisiana

I have audited the accompanying statement of financial position of the Richland Association for Retarded Citizens, Incorporated, as of June 30, 1997, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of the Richland Association for Retarded Citizens, Incorporated. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Richland Association for Retarded Citizens, Incorporated as of June 30, 1997, and the changes in its net assets and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued reports dated November 3, 1997, on my consideration of the Richland Association for Retarded Citizens, Incorporated's internal control structure and compliance with laws and regulations.



Caliborn, Louisiana
November 3, 1997

FINANCIAL STATEMENTS

**RICHLAND ASSOCIATION FOR
RETARDED CITIZENS, INCORPORATED**
Dorla, Louisiana

STATEMENT OF FINANCIAL POSITION
June 30, 1987

ASSETS

Current assets:

Cash	\$40,790
Certificates of deposit	50,000
Accounts receivable	11,419
Total current assets	<u>102,209</u>
Land, buildings, and equipment (net of accumulated depreciation)	<u>19,963</u>

TOTAL ASSETS**\$122,172****LIABILITIES AND NET ASSETS**

Current liabilities:

Accounts payable	\$3,094
Payroll withholdings payable	1,434
Total liabilities	<u>4,528</u>
Unrestricted net assets	<u>117,644</u>

TOTAL LIABILITIES AND NET ASSETS**\$122,172**

See accompanying notes.

**RICHLAND ASSOCIATION FOR RETARDED
CITIZENS, INCORPORATED**
Deftn, Louisiana

Statement B

Statement of Activities
For the Year Ended June 30, 1997

UNRESTRICTED NET ASSETS

Support and Revenue

Support - contributions	\$2,280
Revenue:	
Reimbursements:	
Department of Health and Hospitals	122,897
Louisiana Medical Assistance Program	21,350
Other	11,600
Service revenue:	
Beauty shop	4,324
Ironing	3,367
Housecleaning	25
Cooking	3,746
Interest earnings	8,028
Other revenue	583
Total support and revenue	<u>178,337</u>

Expenses

Program services - vocational and habilitative	249,207
DECREASE IN NET ASSETS	69,869

NET ASSETS AT BEGINNING OF YEAR 187,527

NET ASSETS AT END OF YEAR \$117,654

See accompanying notes.

**RICHLAND ASSOCIATION FOR RETARDED
CITIZENS, INCORPORATED**
Delhi, Louisiana

Statement C

Statement of Functional Expenses
For the Year Ended June 30, 1997

	<u>PROGRAM SERVICES, RECREATIONAL AND HABILITATION</u>
Salaries:	
Employees	\$104,879
Program participants	3,487
Payroll taxes	12,155
Total salaries and related expenses	<u>120,521</u>
Accounting and audit	2,555
Building renovation	58,466
Insurance	7,197
Licenses	150
Maintenance and repairs	1,896
Postage	57
Rent	11
Supplies:	
Clothing	1,825
Office	1,054
Other	15,073
Telephone	1,898
Transportation	27,048
Utilities	5,538
Miscellaneous	3,915
Total expenses before depreciation	<u>248,842</u>
Depreciation	2,360
Total expenses	<u>\$251,202</u>

See accompanying notes.

IRATELAND ASSOCIATION FOR
RETARDED CITIZENS, INCORPORATED
Irra, Louisiana

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 1987

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	(569,887)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	2,760
Decrease in operating assets:	
Accounts receivable	3,582
Increase (decrease) in operating liabilities:	
Accounts payable	(11,378)
Taxes payable	1,403
Net cash provided by operating activities	<u>(73,817)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	(74)
Proceeds from long-term certificates of deposit	170,000
Purchase of long-term certificate of deposit	<u>(170,000)</u>
Net cash provided by investing activities	<u>69,627</u>
NET DECREASE IN CASH	(4,215)
CASH AT BEGINNING OF YEAR	<u>45,005</u>
CASH AT END OF YEAR	<u>\$40,790</u>

See accompanying notes.

**RICHLAND ASSOCIATION FOR
RETARDED CITIZENS, INCORPORATED**
Bossier, Louisiana

Notes to the Financial Statements
As of and for the Year Ended June 30, 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Richland Association for Retarded Citizens, Incorporated, is a nonprofit organization whose purpose is to provide vocational and habilitative services to mentally retarded citizens ages 22 years and older.

A. FINANCIAL STATEMENT PRESENTATION

In 1996 the Richland Association for Retarded Citizens, Incorporated, elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Richland Association for Retarded Citizens, Incorporated, 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 based upon the existence or absence of donor imposed restrictions. In addition, the Richland Association for Retarded Citizens, Incorporated, is required to present a statement of cash flows.

B. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting refers to the timing of the measurements made, regardless of the measurement focus applied. The accompanying financial statements are prepared on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. ESTIMATES

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

**RICHLAND ASSOCIATION FOR
RETARDED CITIZENS, INCORPORATED**
Delhi, Louisiana
Notes to the Financial Statements

D. FIXED ASSETS

Fixed assets acquired by the Richland Association for Retarded Citizens, Incorporated, are considered to be owned by the association and are capitalized at cost. The depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. The estimated useful lives are ten years for the building and five years for the equipment.

E. CONTRIBUTIONS

Contributions are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor.

F. THIRD PARTY REIMBURSEMENTS

The Association receives approximately 88 per cent of its funding from third party reimbursements under contracts for the provision of adult vocational and habilitative services. In order to receive funding, the Association must comply with contract provisions. During the year ended June 30, 1997, the Association received funding under contracts with the Louisiana Department of Health and Hospitals, Office for Citizens With Developmental Disabilities; Delta-American Healthcare, Incorporated; and the Louisiana Medical Assistance Program.

G. CASH

At June 30, 1997, the Richland Association for Retarded Citizens, Incorporated, has cash in demand deposits (bank balances) totaling \$40,700. In addition, the Association had long-term certificates of deposit totaling \$50,000 at June 30, 1997. The certificates of deposit are reported at cost which approximates market value. The Association's bank balances were fully insured by FDIC insurance at June 30, 1997.

For purposes of the statement of cash flows, the Richland Association for Retarded Citizens, Incorporated, considers all cash and other highly liquid investments with initial maturities of three months or less to be cash and cash equivalents.

**RICHLAND ASSOCIATION FOR
RETARDED CITIZENS, INCORPORATED**

Defti, Louisiana

Notes to the Financial Statements

2. RECEIVABLES

Receivables at June 30, 1997, in the amount of \$11,418, consist of reimbursements for expenses incurred prior to year end under contracts for the provision of vocational and habilitative services.

3. LAND, BUILDINGS, AND EQUIPMENT

A summary of land, buildings, and equipment at June 30, 1997, is as follows:

Land and buildings	\$17,040
Equipment	18,210
Less accumulated depreciation	<u>(15,288)</u>
Total	<u>\$19,962</u>

4. BUILDING RENOVATION EXPENSES

During the year ended June 30, 1997, the Association incurred expenses totaling 150,466 to renovate the building it occupies. The Association leases the building from the Town of Defti under a long-term lease agreement. The renovation expenses were not capitalized by the Association but are reported as program expenses in the accompanying financial statements.

5. INCOME TAX STATUS

The Richland Association for Retarded Citizens, Incorporated, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in these financial statements.

6. LITIGATION AND CLAIMS

At June 30, 1997, the Association is not involved in any litigation nor is it aware of any unasserted claims.

**Independent Auditor's Reports
Required by Government Auditing Standards**

The following independent auditor's reports on compliance and on the internal control structure are presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Code*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

M. Carlton Dumas
CERTIFIED PUBLIC ACCOUNTANT

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**Independent Auditor's Report on Compliance
Based on an Audit of Basic Financial Statements
Performed in Accordance with Government Auditing Standards**

**RICHLAND ASSOCIATION FOR
RETARDED CITIZENS, INCORPORATED**
Dehi, Louisiana

I have audited the financial statements of the Richland Association for Retarded Citizens, Incorporated as of June 30, 1997, and for the year then ended, and have issued my report thereon dated November 3, 1997.

I conducted my audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. These standards and the audit guide require that I 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 the Richland Association for Retarded Citizens, Incorporated, is the responsibility of the association's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the Richland Association for Retarded Citizens, Incorporated's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of my audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

RICHLAND ASSOCIATION FOR
RETARDED CITIZENS, INCORPORATED
DeBt, Louisiana

Independent Auditor's Report
on Compliance, etc.,
June 30, 1997

This report is intended for the information of the board of directors and management of the Richland Association for Retarded Citizens, Incorporated, the Louisiana Department of Health and Hospitals Office For Citizens With Developmental Disabilities, and other interested state and federal agencies and should not be used for any other purpose.



Carter Jones
Caldwell, Louisiana
November 3, 1997

M. Carlton Dumas
CERTIFIED PUBLIC ACCOUNTANT

368 DEARBORN ROAD • CALHOUN, LOUISIANA 71225 • TELEPHONE 518/644-5726

**Independent Auditor's Report
on the Internal Control Structure Based on
An Audit of Basic Financial Statements Performed
in Accordance With Government Auditing Standards**

**RICHLAND ASSOCIATION FOR
RETARDED CITIZENS, INCORPORATED**
Deft, Louisiana

I have audited the financial statements of the Richland Association for Retarded Citizens, Incorporated as of June 30, 1997, and for the year then ended, and have issued my report thereon dated November 3, 1997.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Richland Association for Retarded Citizens, Incorporated, 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.

RICHLAND ASSOCIATION FOR
RETARDED CITIZENS, INCORPORATED
Dulch, Louisiana
Independent Auditor's Report
on Internal Control Structure
June 30, 1997

In planning and performing my audit of the financial statements of the Richland Association for Retarded Citizens, Incorporated, for the year ended June 30, 1997, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

I noted the following matter involving the internal control structure and its operation that I consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the association's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

All accounting functions of the Association, i.e., depositing and posting receipts and preparing, posting and issuing checks are performed by one individual. Such functions are not compatible and should be performed by separate individuals, however, because of the size of the Association and its limited revenues, it is not economically feasible to correct this deficiency.

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 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.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses as defined above. However, I do not consider the reportable condition described above to be a material weakness.

RICHLAND ASSOCIATION FOR
RETARDED CITIZENS, INCORPORATED

Orlèans, Louisiana

Independent Auditor's Report
on Internal Control Structure:

June 30, 1997

This report is intended for the information of the board of directors and management of the Richland Association for Retarded Citizens, Incorporated, the Louisiana Department of Health and Hospitals, Office For Citizens With Developmental Disabilities, and other interested state and federal agencies and should not be used for any other purpose.

Orlèans, Louisiana

November 7, 1997

M. Carlton Dumas
CERTIFIED PUBLIC ACCOUNTANT

1005 FORT
STREET
Baton Rouge, Louisiana

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MANAGEMENT LETTER

**BOARD OF DIRECTORS
RICHLAND ASSOCIATION FOR
RETARDED CITIZENS, INC.
Della, Louisiana**

In planning and performing my audit of the financial statements of the Richland Association for Retarded Citizens, Inc., for the year ended June 30, 1997, a certain matter came to my attention which I feel should be conveyed to management of the Association. This matter, while not appropriate for inclusion in the various auditor's reports accompanying the financial statements, is an item which I feel should be brought to your attention.

**COST OF SERVICES EXCEEDING
THIRD PARTY REIMBURSEMENT
AMOUNTS**

For the year ended June 30, 1997, total expenses incurred by the Association exceeded total revenues by \$69,869. Included in total expenses for the year were \$58,466 in non-recurring building renovation expenses. Excluding these building renovation expenses, total other expenses exceeded revenues for the year by \$13,403. My concern over these results of operations for the year ended June 30, 1997, prompted me to compute the average cost of providing service per client day and to compare that average cost to the average reimbursement rates per client day. In performing these calculations I excluded from total expenses all building renovation expenses and other expenses paid from the Association's Special Account such as Christmas expenses, expenses for flowers, etc.. In order to base my calculations on basic operating expenses, I determined from my calculations, that it cost the Association approximately \$35.12 per client day to provide services to its state and Medicare waiver clients. The average reimbursement rate for state clients was calculated to be \$31.21 resulting in a net loss to the Association of \$3.90 per client day. The average reimbursement rate for Medicare waiver clients was calculated to be \$27.28 resulting in a net loss of \$7.83 per client day for Medicare waiver clients. I excluded all transportation costs in calculating the cost of providing services to group home clients and determined it cost \$25.06 per client day to provide services to group home clients. The reimbursement rate for group home clients was \$16.25 per client day resulting in a net loss of \$8.81 per client day. The Association's total combined revenues from interest earnings and contributions were \$10,288 for the year. I calculated that these other revenue sources reduced each net loss by only \$1.90 per client day.

BOARD OF DIRECTORS
RICHLAND ASSOCIATION FOR
RETARDED CITIZENS, INC.

Defto, Louisiana
Management Letter

Page Two

Based on these calculations, the Association's revenue sources are clearly not sufficient to cover the basic operating expenses necessary to provide services to its clients. I recommend that management of the Association begin negotiations with the Louisiana Department of Health and Hospitals and Delta American Healthcare, Inc., in order to obtain reimbursement rates that will provide revenues sufficient to cover necessary operating expenses.

GENERAL

I am available to assist the Association with any problems or questions they may have concerning the above or any other matters.

Respectfully,



Carolyn James

November 7, 1997