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DESOTO ASSOCIATION FOR RETARDED CITIZENS, INC.
Mansfield, Louisiana

FINANCIAL STATEMENTS
June 30, 1999

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 FEB 09 2000

Deborah D. Dees, MBA, CPA
122 Jefferson Street
Mansfield, Louisiana 71052
318-872-3007

DeSoto Association for Retarded Citizens, Inc.
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June 30, 1999

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Deborah D. Dees, MBA, CPA



122 JEFFERSON STREET • MANSFIELD, LOUISIANA 71052 • (318) 872-3007 • FAX (318) 872-1357

CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

To the Board of Directors
DeSoto Association for Retarded Citizens, Inc.
Mansfield, LA 71052

I have audited the accompanying statement of financial position of DeSoto Association for Retarded Citizens, Inc. (a nonprofit organization) as of June 30, 1999, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the entity's management. Our re-sponsibility 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 the standards applicable to financial audits contained in *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 amount 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 above present fairly, in all material respects, the financial position of DeSoto Association for Retarded Citizens, Inc. at June 30, 1999, 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 my report dated December 10, 1999, on my consideration of DeSoto Association for Retarded Citizens Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulation, contracts and grants.

Deborah D. Dees, CPA

Deborah D. Dees, CPA
Mansfield, LA 71052
December 10, 1999

DeSoto Association for Retarded Citizens, Inc.

Statement of Financial Position

June 30, 1999

Assets

Current Assets

Cash	\$	98,466
OCDD Vocational & Habilitative Services Receivable		17,674
Community Home Receivables		4,567
Service Income-sheltered workshop receivable		1,170
Total current assets		<u>121,877</u>

Property, plant & equipment

Land		8,000
Building		117,195
Furniture and fixtures		23,707
Machinery and equipment		24,256
Vans		101,075
Sheltered workshop equipment		16,550
Total property, plant & equipment		<u>290,783</u>
Less: accumulated depreciation		(136,926)
Net property, plant & equipment		<u>153,857</u>

Utility deposit

50

Total Assets

\$ 275,784

Liabilities and Net Assets

Current liabilities

Accounts payable-trade	\$	2,819
Payroll taxes payable		4,667
Total current liabilities		<u>7,486</u>

Net Assets

Unrestricted:

Board Operating		5,177
Designated for programs		109,265
Fixed assets		153,856
Total unrestricted net assets		<u>268,298</u>

Total liabilities and unrestricted net assets

\$ 275,784

See Auditor's report and notes to financial statements

DeSoto Association for Retarded Citizens, Inc.

Statement of Activities
For the year ended June 30, 1999

Unrestricted Net Assets

Revenues and other support:

Contracts with governmental agencies	\$	236,956
Community Homes-contractual		51,893
United Way		6,508
Membership dues		395
Interest Income		1,814
Contributions		858
Service Income-sheltered workshop		32,915
Miscellaneous income		511
Total revenues and other support		<u>331,850</u>

Expenses:

Program Services

Adult habilitation services	270,833
Sheltered workshop	35,105
Other programs	6,784
Total program services	<u>312,722</u>

Change in unrestricted net assets

Net assets, June 30, 1998

Net assets, June 30, 1999

19,128

249,170

\$ 268,298

DeSoto Association for Retarded Citizens, Inc.
Statement of Functional Expenses
For the year ended June 30, 1999

	Adult Habilitation Services	Sheltered Workshop	Other Programs
Advertising	\$ 362	\$ 54	\$
Bank Charges	154	77	
Client Expense	229		1,084
Depreciation	24,142	708	
Drug Testing	70		
Dues	417		
Employee Benefits	11,709		
Fuel	18,569		
Insurance	16,951	1,510	
License	154		
Maintenance auto	8,462		
Office supplies	1,478	945	275
Payroll taxes	14,450		
Postage	544		
Professional fees	10,250		754
Repairs	8,195	2,517	
Salaries & wages	134,247	25,734	3,266
Security	223		
Staff training	220		
Supplies	4,566	3,560	
Telephone	3,204		
Travel	914		1,294
Utilities	7,185		
Yard maintenance	3,600		
Miscellaneous	538		111
Total expenses	\$ 270,833	\$ 35,105	6,784

DeSoto Association for Retarded Citizens, Inc.

Statement of Cash Flows
For the year ended June 30, 1999

Cash flows from operating activities	
Change in net assets	\$ 19,130
Adjustment to reconcile change in net assets to net cash provided by operations:	
Depreciation expense	24,851
Decrease in accounts receivable	1,880
Decrease in accounts payable	(4,935)
Decrease in payroll taxes payable	(368)
Net cash provided by operating activities	<u>40,558</u>
Cash flow from investment activities	
Investment in fixed assets	<u>(23,508)</u>
Net cash used in investing activities	<u>(23,508)</u>
Net increase in cash	17,050
Cash at beginning of period	<u>81,419</u>
Cash at end of period	<u>\$ 98,469</u>

DeSoto Association for Retarded Citizens, Inc.
Notes to Financial Statements
June 30, 1999

Note A . Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

DeSoto Association for Retarded Citizens, Inc. Is a nonprofit corporation under the laws of the State of Louisiana. *DeSoto Association for Retarded Citizens, Inc. Was established to provide adult habilitation services to mentally retarded citizens ages 22 years and older, within DeSoto Parish, Louisiana*

Basis of Accounting

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

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 for Not-For-Profit Organizations*.. Under SFAS No. 117, the Association 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. DeSoto Association for Retarded Citizens, Inc. has not received any revenues or contributions with restrictions that would result in permanently restricted net assets.

SFAS No. 117 also requires a not-for-profit organization to provide information about expenses by functional classifications. The Statement of Activities presents the expenses charged directly to program or supporting services based on specific identification.

Cash Equivalents

For the purposes of the statement of cash flows, the DeSoto Association for Retarded Citizens, Inc. Considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The carrying value of cash approximates fair-value because of the liquidity of those financial instruments. The checking accounts at each institution is insured by the Federal Deposit Insurance Corporation and at the June 30, 1999, there were no uninsured balances.

Property and equipment

Property and equipment are carried at cost or if donated, at the approximate fair value at the date of donation. The State of Louisiana has a reversionary interest in property purchased with state funds. Its disposition as well as the ownership of any proceeds therefrom is subject to state regulations.

DeSoto Association for Retarded Citizens, Inc. Follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$250. Depreciation is computed using the straight-line method over the estimated useful life of each asset generally as follows:

Buildings and improvements	31.5 years
Furniture and equipment	5 years
Vans	5 years

DeSoto Association for Retarded Citizens, Inc.
Notes to Financial Statements
June 30, 1999

Note A . Nature of Activities and Summary of Significant Accounting Policies (continued)

Property and equipment (continued)

The net fixed asset balance has been recorded as a separate component in unrestricted net assets. Depreciation expense for the period is \$24,851.

Income Taxes

DeSoto Association for Retarded Citizens, Inc. is a nonprofit corporation and is exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes has been made in these financial statements. However, income from certain activities not directly related to the tax-exempt purpose of the Association is subject to taxation as unrelated business income. DeSoto Association for Retarded Citizens, Inc. Had no such income for this audit period.

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.

Contractual grant revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned.

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 purposes 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.

Retirement Obligations

The employees of DeSoto Association for Retarded Citizens, Inc. are members of the Social Security System. There are no other retirement plans available through the organization.

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 those estimates.

Compensated Absences

Compensated absences are not recorded in the financial statements because all employees take the same week vacation in June and 10 day vacation in December. Leave is accumulated but if not used, is only paid if the employee is terminated; so the amount cannot be reasonably estimated.

DeSoto Association for Retarded Citizens, Inc.
Notes to Financial Statements
June 30, 1999

Note B. Transaction with Related Parties

The DeSoto Association for Retarded Citizens, Inc. has purchased lawn equipment of approximately \$5,100 and incurred electrical repairs of about \$800 from companies owned by members of the Board of Directors.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
DeSoto Association for Retarded Citizens, Inc.
Mansfield, LA 71052

I have audited the financial statements of DeSoto Association for Retarded Citizens, Inc. (A nonprofit organization) as of and for the year ended June 30, 1999, and have issued my report thereon dated December 10, 1999. I conducted my 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.

Compliance

As part of obtaining reasonable assurance about whether DeSoto Association for Retarded Citizens, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and 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*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered DeSoto Association for Retarded Citizens, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting, which I have reported to management of DeSoto Association for Retarded Citizens, Inc. In a separate letter dated December 10, 1999.

This report is intended solely for the information and use of the board of directors, management, and various other funding sources of the Association. However, this report is a matter of public record and its distribution is not limited.

Deborah D. Dees, CPA

Deborah D. Dees, CPA
Mansfield, LA 71052
December 10, 1999

Deborah D. Dees, MBA, CPA



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PUBLIC ACCOUNTANT

December 10, 1999

To the Board of Directors and Director
of DeSoto Association for Retarded Citizens, Inc.

I have audited the financial statements of the DeSoto Association for Retarded Citizens, Inc. for the year ended June 30, 1999, and have issued my report thereon dated December 10, 1999. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under Generally Accepted Auditing Standards

As stated in my engagement letter dated August 26, 1999, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because I did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by me.

As part of my audit, I considered the internal control of DeSoto Association for Retarded Citizens, Inc. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of DeSoto Association for Retarded Citizens, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants. However the objective of my tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by DeSoto Association for Retarded Citizens, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 1999. I noted no transactions entered into by the Organization during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates noted during the audit.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgement, may not have been detected except through my auditing procedures. I proposed several audit adjustments related to beginning retained earnings, receivables, fixed assets, and payables. The audit adjustments for the prior year's audit had not been made in the current accounting records and it was necessary to reconcile the beginning retained earnings. As in the past, the auditor has routinely made the adjustments to compute and record depreciation. The receivables were adjusted to the actual per the invoices sent at year end and the receipts in subsequent months. The payable adjustments were to correct payroll liabilities to actual. These adjustments include adjustments that are material to the current financial statements. These proposed audit adjustments could, in my judgment, either individually or in the aggregate, have a significant effect on the Organization's financial reporting process. The number of adjustments arose from the numerous changes in personnel in management and within the accounting function. There were three directors and two outside accountants involved with this year's reporting. Management has made these adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matters that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditor

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditor. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention.

Difficulties Encountered in Performing the Audit

The completion of my audit was delayed because the secretary of the Association departed at the time the audit was to begin. There was much difficulty in locating the source documents that were necessary to complete the work. When reviewing the files in the office it was noted that the filing was not being done in a timely manner. Although, it appeared that in the past a systematic filing system had been in place, during the past year the files was kept in disarray.

I suggest that the accounting files kept in the office be purged of prior years' records and these be properly labeled and stored in the storage room in the building for access as needed. I also recommend that current filing be kept up-to-date. This may require some temporary help and extra office supplies and, thus, some expense to the Association.

Board Response: We will take the suggestion under advisement and find the most efficient manner in order to accomplish this suggestion.

This information is intended solely for the use of the Board of Directors, management of DeSoto Association for Retarded Citizens, Inc., and cognizant agencies. However, this report is a matter of public record and its distribution is not limited.

Very truly yours,

Deborah D. Dees, CPA

Deborah D. Dees, CPA
Mansfield, LA