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THE ARC OF GREATER NEW ORLEANS, INC.

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Years Ended June 30, 1999 and 1998

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 29 1999**

10/19

THE ARC OF GREATER NEW ORLEANS, INC.

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Gibson & Goldstein

CERTIFIED PUBLIC ACCOUNTANT'S, APAC

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To the Board of Directors
The Arc of Greater New Orleans, Inc.

We have audited the accompanying statement of financial position of The Arc of Greater New Orleans, Inc. as of June 30, 1999 and 1998, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the The Arc of Greater New Orleans, Inc.'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 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 financial statements referred to above present fairly, in all material respects, the financial position of The Arc of Greater New Orleans, Inc. as of June 30, 1999 and 1998, 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, we have also issued our report dated October 9, 1999 on our consideration of The Arc of Greater New Orleans, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of The Arc of Greater New Orleans, Inc. 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.

Gibson & Goldstein

Gibson & Goldstein, CPA's APAC

Metairie, Louisiana

October 9, 1999

Gibson & Goldstein

CERTIFIED PUBLIC ACCOUNTANT'S, APAC

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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
The Arc of Greater New Orleans, Inc.

We have audited the financial statements of The Arc of Greater New Orleans, Inc. as of and for the year ended June 30, 1999, and have issued our report thereon dated October 9, 1999. 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.

Compliance

As part of obtaining reasonable assurance about whether The Arc of Greater New Orleans, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Arc of Greater New Orleans, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our 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 their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management and federal and state regulatory bodies. However, this report is a matter of public record and its distribution is not limited.

Gibson & Goldstein
Gibson & Goldstein, CPA's APAC
Metairie, Louisiana

THE ARC OF GREATER NEW ORLEANS, INC.

STATEMENT OF FINANCIAL POSITION
YEARS ENDED JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
ASSETS		
CURRENT ASSETS		
Cash (Note B)	\$ 477,697	\$ 444,965
Accounts receivable (Note A)		
Grants	268,728	292,748
Trade	391,070	282,732
Prepaid expenses	21,203	14,282
Escrow account	-	-
Deposits	3,099	1,534
TOTAL CURRENT ASSETS	<u>1,161,797</u>	<u>1,036,261</u>
PROPERTY AND EQUIPMENT, net (Notes A and C)	<u>474,285</u>	<u>440,695</u>
TOTAL ASSETS	<u>\$ 1,636,082</u>	<u>\$ 1,476,956</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 149,846	\$ 71,751
Accrued payroll taxes	61,256	54,484
Current portion of long-term debt	21,390	26,270
TOTAL CURRENT LIABILITIES	<u>232,492</u>	<u>152,505</u>
LONG-TERM DEBT, less current portion (Note E)	94,429	62,262
COMMITMENTS(Note F)	-	-
TOTAL LIABILITIES	<u>326,921</u>	<u>214,767</u>
NET ASSETS (Note A)		
Unrestricted	1,309,161	1,262,189
Temporarily restricted	-	-
TOTAL NET ASSETS	<u>1,309,161</u>	<u>1,262,189</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,636,082</u>	<u>\$ 1,476,956</u>

The accompanying notes are an integral part of this statement

THE ARC OF GREATER NEW ORLEANS, INC.

STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUE AND SUPPORT		
Corporations	\$ 5,370	\$ 6,100
Donated facilities	189,996	189,996
Group homes	267,511	337,153
Individuals	67,240	18,531
Interest	16,706	16,738
Janitorial fees	472,973	582,063
Other	96,828	51,853
Revenues and grants from government agencies	4,482,953	3,899,110
Sales to the public	365,251	206,257
United way	208,446	206,007
TOTAL UNRESTRICTED REVENUE AND SUPPORT	<u>6,173,274</u>	<u>5,513,808</u>
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of time restrictions	-	5,061
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>-</u>	<u>5,061</u>
TOTAL UNRESTRICTED REVENUE, SUPPORT, AND NET ASSETS RELEASED FROM RESTRICTIONS	6,173,274	5,518,869
EXPENSES		
Program services		
Early intervention programs	1,180,068	986,750
Rehabilitation services	230,175	984,596
Individual Options	850,167	1,334,791
Respite care programs	1,722,596	1,409,426
Operational programs	1,368,896	32,404
Other programs	267,398	159,846
Supporting services		
Management and general	471,777	453,097
Fund-raising	24,336	2,814
Payments to affiliates	10,889	12,450
Payments for executive director's retirement	-	1,936
TOTAL EXPENSES	<u>6,126,302</u>	<u>5,378,110</u>
INCREASE IN UNRESTRICTED NET ASSETS	46,972	140,759
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
SDE contractual support	-	(3,125)
United Way impact grant support	-	-
Net assets released from restrictions	-	(1,936)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>-</u>	<u>(5,061)</u>
INCREASE IN NET ASSETS	46,972	135,698
NET ASSETS AT BEGINNING OF YEAR	<u>1,262,189</u>	<u>1,126,491</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 1,309,161</u></u>	<u><u>\$ 1,262,189</u></u>

THE ARC OF GREATER NEW ORLEANS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 1999

PROGRAM SERVICES

	EARLY INTERVENTION PROGRAMS	REHABILITATION SERVICES	INDIVIDUAL OPTIONS	RESPIRE CARE PROGRAMS	OPERATIONAL PROGRAMS	OTHER PROGRAMS	MANAGEMENT & GENERAL	FUND RAISING	TOTAL PROGRAM AND SUPPORTING SERVICES
Salaries	\$ 575,095	\$ 171,772	\$ 538,988	\$ 1,467,252	\$ 888,885	\$ 177,031	\$ 284,154	\$ 0	\$ 4,103,177
Employee benefits	17,739	4,811	26,099	13,088	10,769	6,278	12,076	0	90,860
Payroll taxes	49,875	16,851	51,863	130,280	99,373	14,794	25,058	0	388,094
Total Salaries and Benefits	642,709	193,434	616,950	1,610,620	999,027	198,103	321,288	0	4,582,131
Professional fees	323,399	523	1,421	2,977	9,544	1,131	3,355	0	342,350
Supplies	60,560	2,146	27,297	8,955	92,114	34,766	18,913	8,067	252,818
Telephone	8,618	2,246	5,245	3,331	5,029	3,382	6,847	0	34,698
Postage	1,944	794	1,582	3,766	1,846	470	629	0	11,031
Occupancy	88,701	11,545	67,974	25,791	120,602	8,707	30,048	0	357,256
Repairs and maintenance	15,649	1,889	14,273	15,590	32,432	5,416	8,115	0	93,364
Local transportation	7,875	3,532	85,451	30,577	62,336	10,180	7,226	0	207,177
Travel, conferences, and meetings	4,882	981	2,160	6,450	1,336	2,228	18,098	0	36,135
Printing and publications	1,055	178	324	3,979	811	1,588	6,525	1,178	15,638
Membership dues	50	301	0	25	25	0	5,409	0	5,810
Other expenses	16,213	628	2,945	5,361	37,281	1,354	17,366	11,203	92,351
Payments to affiliates	0	0	0	0	0	0	10,889	0	10,889
Public Relations	0	0	0	0	0	0	20,257	0	20,257
Depreciation	8,413	11,978	24,545	5,174	6,513	73	7,701	0	64,397
Total Expenses	\$ 1,180,068	\$ 230,175	\$ 850,167	\$ 1,722,596	\$ 1,368,896	\$ 267,398	\$ 482,666	\$ 24,336	\$ 6,126,302

The accompanying notes are an integral part of this statement

THE ARC OF GREATER NEW ORLEANS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 1998

	EARLY INTERVENTION PROGRAMS	REHABILITATION SERVICES	INDIVIDUAL OPTIONS	RESPIRE CARE PROGRAMS	OPERATIONAL PROGRAMS	OTHER PROGRAMS	MANAGEMENT & GENERAL	FUND RAISING	TOTAL PROGRAM AND SUPPORTING SERVICES
Salaries	\$ 577,764	\$ 725,931	\$ 756,860	\$ 1,185,368	\$ 20,372	\$ 101,570	\$ 285,909	\$ 0	\$ 3,653,774
Employee benefits	18,641	11,433	28,288	11,390	346	4,928	8,688	0	83,714
Payroll taxes	52,438	88,077	75,391	109,328	1,799	8,228	21,895	0	357,156
Total Salaries and Benefits	648,843	825,441	860,539	1,306,086	22,517	114,726	316,492	0	4,094,644
Professional fees	186,362	1,828	2,921	3,237	0	1,239	5,301	0	200,888
Supplies	34,252	78,018	53,909	7,197	3,793	25,769	11,756	347	215,041
Telephone	9,046	4,007	6,867	2,970	82	1,985	4,726	0	29,683
Postage	1,377	1,361	1,779	2,808	17	233	18	0	7,593
Occupancy	69,619	18,784	235,188	24,718	123	4,503	18,813	0	371,748
Repairs and maintenance	15,007	7,609	20,953	21,365	198	820	7,453	0	73,405
Local transportation	6,128	39,254	129,163	26,274	1,038	4,239	4,690	0	210,786
Travel, conferences, and meetings	1,411	2,983	947	5,610	50	3,353	18,567	0	32,921
Printing and publications	744	334	573	1,814	0	1,383	1,852	63	6,763
Membership dues	199	165	0	50	0	0	4,566	0	4,980
Other expenses	5,349	2,474	3,324	2,123	2,113	1,523	24,976	2,404	44,286
Payments to affiliates	0	0	0	0	0	0	12,450	0	12,450
Public Relations	0	0	0	0	0	0	26,186	0	26,186
Payments for exec. director's retirement	0	0	0	0	0	0	4,336	0	4,336
Depreciation	8,413	2,338	18,628	5,174	2,473	73	7,701	0	44,800
Total Expenses	\$ 986,750	\$ 984,596	\$ 1,334,791	\$ 1,409,426	\$ 32,404	\$ 159,846	\$ 469,883	\$ 2,814	\$ 5,380,510

THE ARC OF GREATER NEW ORLEANS, INC.

STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 1999 AND 1998

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 46,972	\$ 135,698
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	64,397	44,800
(Increase) decrease in operating assets		
Accounts receivable	(84,318)	(108,188)
Prepaid expenses	(6,921)	2,183
Escrow account	0	1,018
Deposits	(1,565)	(909)
Increase (decrease) in operating liabilities		
Accounts payable	78,095	8,836
Accrued payroll taxes	6,772	1,309
NET CASH USED BY OPERATING ACTIVITIES	103,432	84,747
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(97,928)	(49,657)
NET CASH USED BY INVESTING ACTIVITIES	(97,928)	(49,657)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on mortgage note	0	(4,299)
Proceeds of long-term debt for property	64,514	0
Payments on long-term debt for property	(5,717)	(5,269)
Payments on long-term debt for vehicles	(31,569)	(22,515)
NET CASH PROVIDED BY FINANCING ACTIVITIES	27,228	(32,083)
NET INCREASE(DECREASE) IN CASH	32,732	3,007
BEGINNING CASH	444,965	441,958
ENDING CASH	\$ 477,697	\$ 444,965

The accompanying notes are an integral part of this statement

THE ARC OF GREATER NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS

Years ended June 30, 1999 and 1998

NOTE A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The Arc of Greater New Orleans, Inc., is a nonprofit organization committed to securing for all people with mental retardation the opportunity to develop, function, and live to their fullest potential. Current services include: Children Services (Early Intervention, Child Care, and Family Service Coordination), Case Management, Employment Services (Rehabilitation Services), Individual Options (formerly Transitional Work Center), Operational Programs (Affirmative Businesses), and Project H.E.L.P. (Respite/Personal Care, and Supported Living). All services are provided throughout the four parish area (Orleans, Jefferson, Plaquemine, and St. Bernard).

BASIS OF ACCOUNTING

The Arc of Greater New Orleans, Inc. prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

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.

USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

ACCOUNTS RECEIVABLE

All receivables at June 30, 1999 and 1998 are considered collectible, accordingly, an allowance for doubtful accounts is not presented.

THE ARC OF GREATER NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year ended June 30, 1999 and 1998

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost or, if donated, at the fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Buildings and improvements range from 10 to 31 years; equipment ranges from 3 to 10 years.

NOTE B. CASH - CONCENTRATION OF RISK

Financial instruments that potentially subject the Association to risk include cash on deposit with financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 1999 and 1998, the Association's uninsured cash balances totaled \$377,694 and \$331,156, respectively. To provide additional protection against financial loss the Association has their daily balance in excess of \$55,000 placed into a nightly high grade bond purchase fund. This nightly fund provides protection against financial institution closure by allowing invested funds to be available to the Association immediately in response to a closure.

NOTE C. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>1999</u>	<u>1998</u>
Buildings and improvements	\$ 862,312	\$ 862,312
Furniture and equipment	267,112	267,112
Automotive equipment	313,625	215,638
	<u>1,443,049</u>	<u>1,345,062</u>
Less accumulated depreciation	968,764	904,367
	<u>\$ 474,285</u>	<u>\$ 440,695</u>

NOTE D. INCOME TAXES

The Association is exempt from income taxes under Section 501 (c) (3) of the U. S. Internal Revenue Code, accordingly, income taxes are not presented in these financial statements.

THE ARC OF GREATER NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year ended June 30, 1999 and 1998

NOTE E. NOTES PAYABLE

The Association's obligation under notes payable consist of the following:

	<u>1999</u>	<u>1998</u>
8.9% note payable, due in monthly installments of \$964, including interest, secured by a Deed of Trust on the land and building.	\$ 62,247	\$ 67,905
8.5% note payable, due in monthly installments of \$2,110, including interest, secured by 4 1995 vans.	-	20,627
7.25% note payable, due in monthly installments of \$963, including interest, secured by 2 1997 vans.	32,144	-
7.9% note payable, due in monthly installments of \$600, including interest, secured by 1998 E350 Club Wagon.	<u>21,428</u>	<u>-</u>
Total Notes Payable	<u>\$ 115,819</u>	<u>\$ 88,532</u>

Principal installments for the next five years are as follows:

Year ending June 30, 2000	\$ 21,390
June 30, 2001	23,192
June 30, 2002	25,092
June 30, 2003	12,004
June 30, 2004	8,860
Subsequent years	<u>25,281</u>
	<u>\$ 115,819</u>

THE ARC OF GREATER NEW ORLEANS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year ended June 30, 1999 and 1998

NOTE F. COMMITMENTS

The Association is furnished free use of facilities at three locations. The aggregate fair market value of these facilities is \$15,811 per month. These amounts are recorded as Donated Facilities in Revenue and Support and also in Occupancy expenses. The fair market value of the rent free facilities amounted to \$189,726.

The total occupancy expenses for the year for rent paid, fair market value of free use, and maintenance and insurance was \$357,256.

SUPPLEMENTARY INFORMATION

THE ARC OF GREATER NEW ORLEANS, INC.
 SCHEDULE OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 1999

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Grant Number	Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>				
State Department of Education:				
Infants/Toddlers with Disabilities-FS	84.181A		98-III-TD	\$234,000
Infants/Toddlers with Disabilities-RC	84.181A		98-III-TD	85,082
Early Intervention IDEA Part C	84.181A		98-H3-TD	<u>360,296</u>
<u>Total Federal Grants</u>				<u>\$679,378</u>

THE ARC OF GREATER NEW ORLEANS, INC.
 SCHEDULE OF STATE AND LOCAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 1999

<u>State Programs</u>	<u>Pass-through Grantor's Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
State Department of Health and Hospitals/ Office of Mental Retardation/Developmental Disabilities:			
Vocational/Habilitative Services	531025		\$626,312
Infant Habilitation	533098		282,923
Respite Care Services	531193		115,000
Personal Care Attendant Services	530939		26,000
Family Support	530656		33,538
Personal Support	531079		52,185
			<u>1,135,958</u>
Jefferson Parish Human Services Authority/ Division of Mental Retardation and Developmental Disabilities:			
Infant Habilitation	181		312,393
Adult Habilitation	195		373,609
Respite Care In/Out of Home	110		36,616
Supported Living	384		8,465
			<u>731,083</u>
<u>Total State and Local Awards</u>			<u><u>\$1,867,041</u></u>

THE ARC OF GREATER NEW ORLEANS, INC.
 SCHEDULE OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 1998

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Grant Number	Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>				
State Department of Education:				
Case Management/Infant Service Coord.	84.181		97-CIT3-TD	<u>\$267,825</u>
<u>Total Federal Grants</u>				<u>\$267,825</u>

THE ARC OF GREATER NEW ORLEANS, INC.
 SCHEDULE OF STATE AND LOCAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 1998

<u>State Programs</u>	<u>Pass-through Grantor's Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
State Department of Health and Hospitals/ Office of Mental Retardation/Developmental Disabilities:			
Vocational/Habilitative Services	521910/340-800302		\$558,153
Infant Habilitation	520797/340-800304		282,923
Respite Care Services	520960/340-800219		115,000
Personal Care Attendant Services	521226/340-800331		26,000
Family Support	522918/340-800328		33,538
Personal Support	524762/340-800345		52,185
			<u>1,067,799</u>
Jefferson Parish Human Services Authority/ Division of Mental Retardation and Developmental Disabilities:			
Infant Habilitation	200		357,058
Adult Habilitation	245		340,528
Respite Care In/Out of Home	197		36,616
Self Advocacy	231		29,000
			<u>763,202</u>
<u>Total State and Local Awards</u>			<u>\$1,831,001</u>

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November 14, 1999

To the Senior Management and
The Board of Directors of
The Arc of Greater New Orleans, Inc.

In planning and performing our audit of the financial statements of the Arc of Greater New Orleans, Inc. for the year ended June 30, 1999, we considered the Association's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. (We previously reported on the Association's internal control structure in our report dated October 10, 1999.) This letter does not affect our report dated October 10, 1999, on the financial statements of the Arc of Greater New Orleans, Inc. We will review the status of these comments during our next audit engagement. Our comments and recommendations are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:


Accounting Manual

The accounting manual is currently being drafted. Due to the changes in the cost reports due to the State of Louisiana Institutional Reimbursement Department it is more important than ever to finalize the formal accounting manual documenting the procedures for fiscal operations. A written accounting manual is necessary to ensure that transactions are treated in a standardized manner whether the reports are for the Board of Directors, the United Way, or the State; and that proper internal controls exist in the accounting system. Due to all of the recent changes, should employees have a question as to the proper handling of a transaction in accordance with management's authorization, current information is not available in writing. An updated manual would also ensure no duplication of efforts in reporting to the various entities that the

Association must report to. We recommend that the manual be completed in the shortest time possible.

We wish to thank the Controller and his department for their support and assistance during our audit.

The report is intended solely for the information and use of the Board of Directors, management, and others within the Association.


Gibson & Goldstein, CPA's APAC

Metairie, LA
November 14, 1999