

THE SCHAFER GROUP, LTD.

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THE ARC OF ST. CHARLES, INC.

FINANCIAL STATEMENTS
(AUDIT REPORT)

JUNE 30, 1999 AND 1998

Under provisions of the Louisiana
report is a true and correct
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office of the parish clerk of court
for the parish of St. Charles, Louisiana
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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Arc of St. Charles, Inc.
Boutte, Louisiana

We have audited the accompanying statements of financial position of The Arc of St. Charles, Inc. (a nonprofit organization) 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 Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with generally accepted auditing standards. 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 previous audit report dated August 31, 1999 on the June 30, 1999 and 1998 financial statements, an incorrect amount was stated for accrued payroll and client payroll expenses. The Arc of St. Charles has since restated its financial statements to reflect this additional liability and expense.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Arc of St. Charles, Inc. as of June 30, 1999 and 1998, and the changes in net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

THE SCHAFER GROUP, LTD.



Kernion T. Schafer, President
Certified Public Accountant

August 31, 1999

**THE ARC OF ST. CHARLES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 1999 AND 1998**

<u>ASSETS</u>	<u>1999</u>	<u>1998</u>
<u>Current Assets</u>		
Cash	\$ 50,376	\$ 69,843
Accounts Receivable	<u>70,262</u>	<u>38,854</u>
Total Current Assets	<u>120,638</u>	<u>108,697</u>
 <u>Property & Equipment</u>		
Building	59,596	59,596
Furniture & Equipment	25,742	25,065
Vehicles	<u>95,604</u>	<u>71,255</u>
	<u>180,942</u>	<u>155,916</u>
Less: Accumulated Depreciation	<u>(77,942)</u>	<u>(64,274)</u>
Net Property & Equipment	<u>103,000</u>	<u>91,642</u>
 <u>Other Assets</u>		
Deposits	<u>234</u>	<u>234</u>
Total Other Assets	<u>234</u>	<u>234</u>
TOTAL ASSETS	<u>\$ 223,872</u>	<u>\$ 200,573</u>

See the independent auditor's report and the notes to the financial statements.

THE ARC OF ST. CHARLES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 1999 AND 1998

LIABILITIES AND NET ASSETS

	<u>1999</u>	<u>1998</u>
<u>Current Liabilities</u>		
Accounts Payable	\$ 5,945	\$ 7,187
Payroll Taxes Payable	3,129	1,801
Accrued Payroll	20,486	9,449
Current Portion of Long-Term Debt	-	846
Insurance Payable	3,159	-
Accrued Vacation/Sick	<u>5,746</u>	<u>-</u>
Total Current Liabilities	<u>38,465</u>	<u>19,283</u>
<u>Long-Term Liabilities</u>		
Note Payable - G.E.	-	846
Less: Current Portion Included Above	<u>(-)</u>	<u>(846)</u>
Total Long-Term Liabilities	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>19,283</u>
<u>Net Assets</u>		
Unrestricted	<u>185,407</u>	<u>181,290</u>
TOTAL NET ASSETS	<u>185,407</u>	<u>181,290</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 223,872</u>	<u>\$ 200,573</u>

See the independent auditor's report and the notes to the financial statements.

THE ARC OF ST. CHARLES, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 1999 AND 1998

<u>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</u>	<u>1999</u>	<u>1998</u>
<u>Support</u>		
Dept. of Health & Human Services - Office of Citizens with Developmental Disabilities	\$ 189,434	\$ 154,899
Dept. of Health & Human Services - Medicaid	26,062	30,247
Res-Care, Inc.	64,979	43,504
Vocational Rehabilitation	64,654	20,448
Respite	7,541	7,336
Supported Employment/Job Revenue	120,837	139,985
Indirect Public Support	1,069	1,848
Car Washing	-	253
Ceramics	-	110
United Way	45,000	30,475
Miscellaneous	1,996	247
Cash Contributions	4,969	5,921
Dues	628	648
Sale of Assets	-	610
Vending Machines	626	442
Investment Return	719	725
 TOTAL SUPPORT	 <u>528,514</u>	 <u>437,698</u>
 <u>Expenses</u>		
Program Services	379,096	281,204
Supporting Services	145,301	92,919
 TOTAL EXPENSES	 <u>524,397</u>	 <u>374,123</u>
 INCREASE IN UNRESTRICTED NET ASSETS	 \$ <u>4,117</u>	 \$ <u>63,575</u>
 Increase in Net Assets	 \$ 4,117	 \$ 63,575
Net Assets, Beginning of Year	<u>181,290</u>	<u>117,715</u>
Net Assets, End of Year	\$ <u>185,407</u>	\$ <u>181,290</u>

See the independent auditor's report and the notes to the financial statements.

THE ARC OF ST. CHARLES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 1999 AND 1998

	<u>PROGRAM SERVICES</u>		<u>SUPPORTING SERVICES</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Payroll - Staff	\$ 198,303	\$ 154,067	\$ 45,686	\$ 42,765
Payroll - Clients	84,471	46,152	-	-
Payroll Taxes	23,882	16,586	3,627	3,664
Insurance - Health	-	1,869	8,462	2,850
Professional Fees	6,104	-	13,243	5,270
Awards	-	-	-	500
Bank Charges	-	-	90	78
Dues	-	-	3,905	2,085
Training	3,333	-	1,762	2,075
Equipment	10,139	-	1,373	381
Liability Insurance	-	14,218	-	2,225
Vacation & Sick	-	-	6,325	-
Licenses	549	103	364	244
Maintenance & Repairs	3,844	7,023	6,942	1,330
Meeting Expense	-	-	1,140	245
Miscellaneous	1,674	-	6,194	1,098
Postage	-	-	-	704
Supplies	16,954	19,951	5,835	5,276
Telephone	-	156	6,723	6,045
Travel & Seminars	6,086	3,088	5,516	2,703
Fuel	7,271	6,214	-	-
Transportation Expense	10,550	10,020	-	2,900
Property Insurance	4,536	-	5,174	-
Insurance - Workers Comp.	1,400	-	9,272	1,538
Life Insurance	-	148	-	-
Advertising	-	713	-	-
Job Coach	-	896	-	-
Interest Expense	-	-	-	877
Depreciation	-	-	13,668	8,066
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	\$ <u>379,096</u>	\$ <u>281,204</u>	\$ <u>145,301</u>	\$ <u>92,919</u>

See the independent auditor's report and the notes to the financial statements.

THE ARC OF ST. CHARLES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Net Income	\$ 12,145	\$ 63,575
Non Cash Items Included in Net Income:		
Gain on Sale	-	(610)
Depreciation	13,668	8,066
(Increase) Decrease in Current Assets:		
Accounts Receivable	(31,408)	(16,673)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(1,242)	3,599
Payroll Taxes Payable	1,328	(172)
Accrued Payroll	3,009	4,873
Insurance Payable	3,159	(1,611)
Accrued Vacation/Sick	<u>5,746</u>	<u>-</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>6,405</u>	 <u>61,047</u>
 <u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
Proceeds From Sale of Assets	-	1,610
Purchase of Property & Equipment	<u>(25,026)</u>	<u>(23,565)</u>
 NET CASH (USED) BY INVESTING ACTIVITIES	 <u>(25,026)</u>	 <u>(21,955)</u>
 <u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
Note Payable - G.E. Capital	<u>(846)</u>	<u>(404)</u>
 NET CASH (USED) BY FINANCING ACTIVITIES	 <u>(846)</u>	 <u>(404)</u>
 Net Increase (Decrease) in Cash	 <u>(19,467)</u>	 38,688
Cash, Beginning of Year	<u>69,843</u>	<u>31,155</u>
Cash, End of Year	\$ <u><u>50,376</u></u>	\$ <u><u>69,843</u></u>

See the independent auditor's report and the notes to the financial statements.

THE ARC OF ST. CHARLES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

1. SIGNIFICANT ACCOUNTING POLICIES

- A. The financial statements of The Arc of St. Charles, Inc. (a nonprofit organization) have been prepared on the accrual basis; therefore certain revenues and the related assets are recognized when earned rather than when received and certain expenses are recognized when the obligation is incurred rather than when paid. These policies have been consistently applied in the preparation of the financial statements. The corporation has no capital stock.
- B. Business Activity
The Arc of St. Charles, Inc. trains the mentally and physically handicapped citizens of the parish that are over 22 years of age. The areas of training include self-help, social skills, pre-vocational, independent living, mobile work crews, personal hygiene, daily living skills - making change, telling time, safety - recognition of danger signs, physical training and maximization of individual potential. The organization also provides free transportation for all activities including daily instruction classes.
- C. Property and Equipment
Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.
- D. Cash Flows
For purposes of the statement of cash flows, the organization considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

(notes continued)

E. Financial Statement Presentation

In 1997, the Organization adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, the Organization 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, the Organization is required to present a statement of cash flows. As permitted by this new statement, the Organization has discontinued its use of fund accounting and has, accordingly, 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 1998.

F. 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 reported period. Actual results could differ from those estimates.

2. LEASES

The organization leases its facilities from the St. Charles Parish School Board under a monthly operating lease at no charge. The lessee pays all utilities, insurance, maintenance and improvements. The lessor may cancel the lease if the facilities are needed for school purposes.

3. CONTRIBUTED SERVICES

A number of unpaid volunteers have made contributions of their time to the organization during the year. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

4. CONTRIBUTED FACILITIES

The organization occupies at no charge certain premises located in a government owned building. The estimated fair rental value of the premises is reported as support and expense in the period in which the premises are used.

The organization received a contribution of a wood-framed building in the fiscal year ended June 30, 1997, which is reported at its fair market value.

(notes continued)

5. CONTRIBUTED ASSETS

All assets contributed to the organization are reported at their estimated fair market value.

6. CONTRACT REVENUES

The organization entered into a contract with the Office of Mental Retardation, Department of Health and Hospitals to provide training to the mentally and developmentally handicapped citizens over 22 years of age in St. Charles Parish. The areas of training include self-help, social skills, pre-vocational, independent living, mobile work crews and behavioral skills. Under the agreement, for the fiscal years ended June 30, 1999 and 1998, the Department of Health and Hospitals will pay \$134,747 and \$93,391; respectfully, in equal amounts per month over the life of the contract. The remaining contract dollars, \$49,260 and \$61,488; respectfully will be paid based on the type of service provided to each individual client and the complexity of the individual's needs.

The organization also entered into a contract with Res-Care, Inc. (a residential provider) to provide day training at \$28.86 per client day. The training provided is explained in the preceding paragraph.

The organization also receives revenues for providing training to Medicaid clients.

7. CONTRACT RECEIVABLE

Contract receivable consists of services provided but not yet received as of June 30, 1999 and 1998, is made up of the following:

	<u>1999</u>	<u>1998</u>
Dept. of Health & Hospitals	\$ 29,883	\$ 7,783
Dept. of Health & Hospitals - Medicaid	3,635	3,847
Res-Care, Inc.	20,188	10,014
Vocational Rehabilitation	1,812	6,263
Supported Employment	1,077	2,207
Oil Sorbent Production	2,637	981
Lawn/Janitorial	<u>11,030</u>	<u>7,759</u>
	<u>\$ 70,262</u>	<u>\$ 38,854</u>

8. ECONOMIC DEPENDENCY

The organization depends on the Department of Health and Hospitals for a major portion of its support.

9. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISKS

The Arc of St. Charles, Inc. extends a substantial amount of credit to several non-profit and state agencies such as the Department of Health and Hospitals and Res-Care, Inc.

(notes continued)

10. INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

11. RESTRICTIONS ON NET ASSETS

All net assets of The Arc of St. Charles, Inc. are classified as unrestricted net assets as of June 30, 1999 and 1998. All support received from current contracts will be classified as unrestricted.

12. LEASE-PURCHASE

The Arc of St. Charles, Inc. has entered into a lease-purchase agreement with G.E. Capital. The capital lease was used to acquire office equipment with a cost of \$2,232.50. The lease requires 36 monthly payments of \$116.64. The lease purchase agreement expired in February, 1999.

13. TRANSPORTATION CONTRACT

The Arc of St. Charles, Inc. had signed a transportation service agreement with the St. Charles Council of Aging, Inc. providing round trip transportation between the Boutte Activity Center and home. This agreement was cancelled by The Arc of St. Charles, Inc. on April 30, 1999.

14. THREATENED AND PENDING LITIGATION

The Board of Directors and management of The Arc of St. Charles, Inc. have identified several pending and/or threatened claims and/or litigation. There is a pending EEOC claim against The Arc of St. Charles, Inc., which is under investigation, and a workers compensation claim, which is to be heard subsequent to the balance sheet date. One matter of litigation for wrongful termination has been filed against The Arc of St. Charles, Inc. and one is threatened to be filed subsequent to the balance sheet date. No attorney has been retained or consulted in either of these matters. The Arc of St. Charles, Inc. is a defendant in litigation in regards to an automobile accident. The are represented by their insurers attorney. The Board of Directors and management of The Arc of St. Charles, Inc. feel that these claims and litigation's have no merit and intend to mount a vigorous defense. They further state that if there is any settlement or judgement, which cannot be determined at this time, there is sufficient insurance in force to cover any judgement(s).

(notes continued)

15. SUBSEQUENT EVENT

Subsequent to the financial statement date and the date of the auditor's report, the management of The Arc of St. Charles was notified by the Department of Labor that they had used an incorrect minimum wage in determining the salaries and wages of their client employees. The minimum wage they were required to use is greater than that mandated by federal law and the salaries and wages paid to client employees would have to be recomputed. The management of the Arc of St. Charles felt that this would be a material amount which would affect the financial statements for the years presented and they should be restated. Upon recomputing the wages, it was determined that a total of \$8,028 and \$-0-, in additional client employee salaries and wages would have to be paid for 1999 and 1998; respectfully. The financial statements were restated to reflect these additional amounts.

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

To the Board of Directors
The Arc of St. Charles, Inc.
Boutte, Louisiana

We have audited the accompanying financial statements of The Arc of St. Charles, Inc. (a nonprofit organization) as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated August 31, 1999.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of The Arc of St. Charles, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements 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.

In planning and performing our audit of the financial statements of The Arc of St. Charles, Inc. for the years ended June 30, 1999 and 1998, 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 Louisiana Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.

THE SCHAFER GROUP, LTD.



Kernion T. Schafer, President
Certified Public Accountant

August 31, 1999

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

To the Board of Directors
The Arc of St. Charles, Inc.
Boutte, Louisiana

We have audited the accompanying financial statements of The Arc of St. Charles, Inc. (a nonprofit organization) as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated.


We conducted our 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 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 The Arc of St. Charles, Inc. is the responsibility of The Arc of St. Charles, Inc.'s management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of The Arc of St. Charles, Inc.'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 board of directors, management, and Louisiana Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.

THE SCHAFER GROUP, LTD.


Kernion T. Schafer, President
Certified Public Accountant

August 31, 1999