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THE ARC OF NORTH WEBSTER

SAREPTA, LOUISIANA

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FINANCIAL STATEMENTS

June 30, 1997

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 2-18-98

THE ARC OF NORTH WEBSTER

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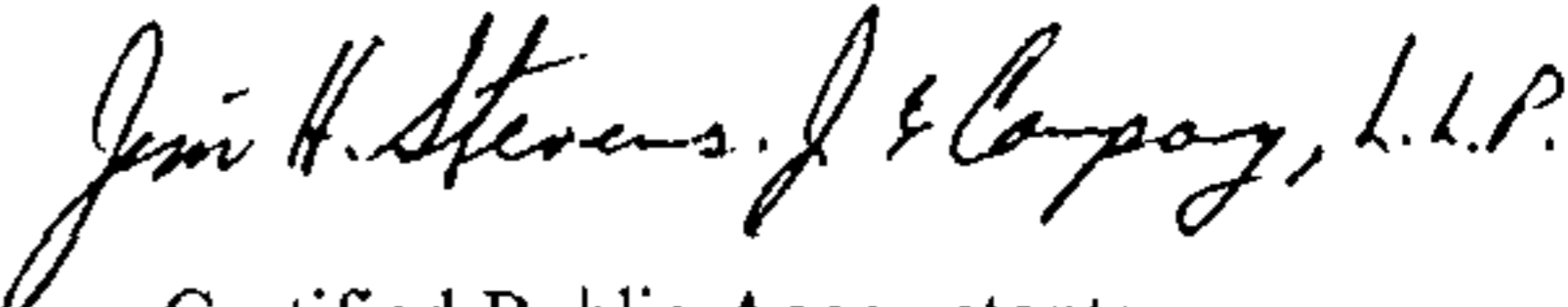
Independent Auditor's Report

Board of Directors
The ARC of North Webster
Sarepta, Louisiana

We have audited the accompanying statements of financial position of The ARC of North Webster as of June 30, 1997 and 1996, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of The ARC of North Webster'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 *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 North Webster as of June 30, 1997 and 1996, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.


Certified Public Accountants

December 19, 1997

THE ARC OF NORTH WEBSTER

Statements of Financial Position June 30, 1997 and 1996

ASSETS

	1997	1996
Cash and cash equivalents	102,193	56,346
Short-term investments	14,093	13,428
Accounts receivable - net	105,500	106,847
Accrued interest	6	
Investment - stock	1,118	
Inventory	704	1,242
Land, building and equipment - net	143,387	151,511
Utility deposits	699	699
Total Assets	367,700	330,073

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	7,616	8,327
Accrued and withheld taxes and expense	6,451	3,284
Long-term debt	24,902	27,298
Total Liabilities	38,969	38,909
Net Assets		
Unrestricted	328,731	291,164
Total Unrestricted Net Assets	328,731	291,164
Total Liabilities and Net Assets	367,700	330,073

See accompanying notes to financial statements.

THE ARC OF NORTH WEBSTER

Statements of Activities
June 30, 1997 and 1996

	1997	1996
Public Support		
Grants from federal agencies	368,417	281,412
Grants from state agencies	144,935	159,212
Contributions	1,368	2,778
Special events	1,357	1,315
Allocated by United Way	7,038	8,138
Total Public Support	523,115	452,855
Revenues		
Program related revenue:		
Work center sales:		
Gross revenue	120,730	126,494
Direct costs	(71,518)	(85,647)
Work center sales - net	49,212	40,847
Revenues from support homes:		
Bell Oaks home	66,110	69,450
Brighter Tomorrows home	29,000	28,280
Evergreen home	29,520	27,460
Total revenues from support homes	124,630	125,190
Program service fees:		
Client meals		
Gross revenue		5,439
Direct costs		(6,758)
Client meals - net		(1,319)
Other revenue:		
Interest income	2,496	2,293
Members dues	855	1,120
Miscellaneous income	6,296	6,409
Total other revenues	9,647	9,822
Total revenues	183,489	174,540
Total public support and revenues	706,604	627,395
Expenses		
Program services	622,347	589,666
Supporting services:		
Management and general	46,690	45,839
Total supporting services	46,690	45,839
Total expenses	669,037	635,505
Increase (Decrease) in net assets	37,567	(8,110)
Net assets at beginning of year	291,164	299,274
Net assets at ending of year	328,731	291,164

See accompanying notes to financial statements.

THE ARC OF NORTH WEBSTER

Statements of Functional Activities June 30, 1996

	Program Services	Management and General	Total
Salaries	434,677		434,677
Payroll taxes	41,136		41,136
Insurance - Workers' Compensation and Health	38,732		38,732
Total salaries and related expenses	<u>514,545</u>		<u>514,545</u>
Advertising and public relations		1,970	1,970
Automotive expenses	16,674		16,674
Banquet expense	1,824		1,824
Collection expense		35	35
Dues and subscriptions		510	510
Equipment rental	400		400
Insurance - general	7,791		7,791
Interest expense		66	66
Legal and professional		12,640	12,640
License and permits	2,140		2,140
Meals and entertainment		36	36
Medical expense	9		9
Miscellaneous		387	387
Office expense		2,846	2,846
Repairs and maintenance		5,931	5,931
Supplies	3,908	3,705	7,613
Telephone		3,824	3,824
Travel, conventions and seminars		3,450	3,450
Travel and other expense - PCA and Respite	16,650		16,650
Utilities		10,439	10,439
Total expenses before depreciation	<u>49,396</u>	<u>45,839</u>	<u>95,235</u>
Depreciation	25,725		25,725
Total expenses	<u><u>589,666</u></u>	<u><u>45,839</u></u>	<u><u>635,505</u></u>

See accompanying notes to financial statements.

THE ARC OF NORTH WEBSTER

Statements of Functional Activities June 30, 1997

	Program Services	Management and General	Total
Salaries	455,947		455,947
Payroll taxes	44,736		44,736
Insurance - Workers' Compensation and Health	40,685		40,685
Total salaries and related expenses	<u>541,368</u>		<u>541,368</u>
Advertising and public relations		3,326	3,326
Automotive expenses	16,327		16,327
Banquet expense	3,295		3,295
Collection expense		13	13
Dues and subscriptions		1,542	1,542
Equipment rental	606		606
Insurance - general	6,190		6,190
Interest expense		457	457
Legal and professional		10,705	10,705
License and permits	449		449
Meals and entertainment			
Medical expense	547		547
Miscellaneous		1,525	1,525
Office expense		6,545	6,545
Repairs and maintenance		4,258	4,258
Supplies	3,621	1,851	5,472
Telephone		4,006	4,006
Travel, conventions and seminars			
Travel and other expense - PCA and Respite	23,274		23,274
Utilities		12,462	12,462
Total expenses before depreciation	<u>54,309</u>	<u>46,690</u>	<u>100,999</u>
Depreciation	26,670		26,670
Total expenses	<u><u>622,347</u></u>	<u><u>46,690</u></u>	<u><u>669,037</u></u>

See accompanying notes to financial statements.

THE ARC OF NORTH WEBSTER

Statements of Cash Flows June 30, 1997 and 1996

	1997	1996
Cash flows from operating activities		
Increase (decrease) in net assets	37,566	(8,110)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	26,670	25,725
Allowance for losses on accounts receivable	445	(1,295)
Donated stock included in contributions	(1,118)	
(Increase) decrease in accounts receivable	902	(17,545)
(Increase) decrease in accrued interest	(6)	
(Increase) decrease in inventories	538	
Increase (decrease) in accounts payable	(711)	(11,527)
Increase (decrease) in accrued liabilities	3,168	(28,055)
Total Adjustments	29,888	(32,697)
Net cash provided (used) by operating activities	67,454	(40,807)
 Cash flows from investing activities		
Interest reinvested in certificate of deposit	(665)	
Purchase of certificate of deposit		(13,428)
Purchase of fixed assets	(18,546)	(38,258)
Cash proceeds from the sale of fixed assets		1,295
Net cash provided (used) by investing activities	(19,211)	(50,391)
 Cash flows from financing activities		
Financing by lease purchase of equipment	5,140	
Proceeds of long-term notes payable		30,051
Principal payments on long-term debt and capital lease	(7,536)	(2,753)
Net cash provided (used) by financing activities	(2,396)	27,298
 Net increase (decrease) in cash and cash equivalents	45,847	(63,900)
Cash and cash equivalents, beginning of year	56,346	120,246
Cash and cash equivalents, end of year	102,193	56,346

See accompanying notes to financial statements.

THE ARC OF NORTH WEBSTER

Notes to Financial Statements
June 30, 1997 and 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by The ARC of North Webster are described in summary form below:

Basis of Accounting

The financial statements of The ARC of North Webster have been prepared on the accrual basis. The financial statements are presented in accordance with Statement of Financial Accounting Standards No. 117, Financial Statements for Not-for-Profit Organizations, which requires the ARC 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.

Activities and Organization

The ARC of North Webster was organized for the purpose of training and improving the quality of life of citizens with developmental disabilities. The ARC of North Webster was originally incorporated as the Springhill Association of Retarded Children. Later, the name was informally changed to the Springhill Association of Retarded Citizens. On February 23, 1994, the name was changed by formal change of the articles of incorporation to The ARC of North Webster.

The ARC of North Webster has been determined by the Internal Revenue Service under the name Springhill Association of Retarded Citizens to be tax-exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Cash

The ARC considers cash in operating bank accounts, cash on hand, and other highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Investments

Short-term investments consists of a certificate of deposit, carried at cost, which approximates market.

Investment-stock consists of 15 shares of IBM stock which was donated to the ARC. The stock was recorded at its estimated fair value at the date of donation.

Uncollectible accounts

During the year ending June 30, 1997, management established an allowance for doubtful accounts to record the estimated amount of accounts which will be uncollectible.

During 1996, uncollectible amounts due for customer accounts are recognized as bad debts through the use of the direct write-off method at the time information becomes available which would indicate the uncollectibility of the particular receivable. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

(Continued)

THE ARC OF NORTH WEBSTER

Notes to Financial Statements
June 30, 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

Property, plant and equipment is recorded at cost when purchased and at fair market value when donated to the organization. Depreciation is recorded on the straight-line method using estimated useful lives as follows:

Furniture, fixtures and equipment	5-10 years
Automobiles	5 years
Buildings and improvements	10-20 years

Donations

Donated materials are recorded in the financial statements at their fair values at the date of receipt. In accordance with SFAS No. 116, no amounts have been reflected in the statements in as much as no objective basis is available to measure the value of such services; however, a number of volunteers have donated their time to assist in the operations and improvements of the ARC.

Contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those assets must be maintained, the ARC reports expiration of donor restrictions when the acquired assets are placed in services as instructed by the donor. The ARC reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

For purposes of the statement of cash flows, the Council considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

2. CHANGE IN ACCOUNTING PRINCIPLES

In 1996, the ARC adopted Statement of Financial Accounting Standards (SFAS) No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

(Continued)

THE ARC OF NORTH WEBSTER

Notes to Financial Statements June 30, 1997 and 1996

3. CASH

	1997	1996
Cash is summarized as follows:		
Petty cash	300	300
Cash on hand	576	
Cash in checking accounts	7,013	16,117
Cash in interest-bearing accounts	94,304	39,929
Total	102,193	56,346

At June 30, 1997 and 1996, the carrying amounts of the ARC's deposits total \$101,317 and \$56,046 respectively and the bank balances total \$156,915 and \$104,237. At June 30, 1997, \$114,825 in deposits are secured by FDIC insurance and \$42,090 are secured by pledge of a \$50,000 U.S. Treasury Note with a market value of \$50,752. At June 30, 1996, all deposits are secured by FDIC insurance.

4. ACCOUNTS RECEIVABLE

	1997	1996
Accounts receivable are summarized as follows:		
Accounts receivable - customers - net	8,152	4,494
Employee advances	121	45
Due from federal agencies	74,490	61,898
Due from state agencies	11,337	24,550
Due from sponsoring homes	11,400	15,860
Total	105,500	106,847

Accounts receivable - customers are reported net of an allowance for doubtful accounts at June 30, 1997, in the amount of \$445.

5. INVESTMENT-STOCK

The estimated fair value of the fifteen shares of IBM stock is \$1,380 at June 30, 1997.

6. INVENTORIES

Inventories consist of oil, tires and miscellaneous items on hand at June 30, 1997, valued at cost on the first-in, first-out method. Due to a change in the management of the service station, no inventory was taken at June 30, 1996. Management tries to keep a constant inventory at all times at the station by purchasing replacements as inventory is sold. The inventory at June 30, 1996 is estimated to equal that of the prior year.

(Continued)

THE ARC OF NORTH WEBSTER

Notes to Financial Statements
June 30, 1997 and 1996

7. LAND, BUILDING AND EQUIPMENT

	1997	1996
Land, building and equipment consist of the following:		
Land	5,000	5,000
Buildings and renovations	158,187	156,501
Furniture, fixtures and equipment	138,929	122,069
Automotive equipment	60,940	60,940
Total land, buildings and equipment	363,056	344,510
Less: accumulated depreciation	219,669	192,999
Land, buildings and equipment - net	143,387	151,511

8. LONG-TERM DEBT AND CAPITAL LEASE

The ARC records items under capital leases as assets and long-term obligations in the accompanying financial statements. During the year, the ARC entered into a capital lease for microfilm equipment.

	1997	1996
Long-term debts and capital leases are as follows:		
Bank note payable in monthly installments, dated September 29, 1995, interest at 6.752%, secured by Van	7,500	10,477
Bank note payable in monthly installments, dated May 16, 1996, interest at 7.9%, secured by Van	13,027	16,821
Capital lease for equipment, dated January 14, 1997	4,375	
Total	24,902	27,298

The following is a summary of future minimum note and lease payments at June 30, 1997:

1998	10,808
1999	10,808
2000	8,194
2001	3,600
2002	600
Total minimum payments	34,010
Less: amount representing interest	9,108
Present value of future minimum payments	24,902

(Continued)

THE ARC OF NORTH WEBSTER

Notes to Financial Statements
June 30, 1997 and 1996

9. WORK CENTER SALES AND FEES - NET

Work center sales and fees and related costs are as follows:

	1997			1996		
	Sales and Fees	Cost of Sales	Net	Sales and Fees	Cost of Sales	Net
Contract Work	19,767	955	18,812	21,876	2,186	19,690
Microfilm	31,986	4,432	27,554	28,711	4,400	24,311
Service Station	43,940	46,995	(3,055)	57,740	67,483	(9,743)
Bake Shop	16,562	16,516	46	9,909	10,401	(492)
Greenhouse	1,845	611	1,234	246		246
Yard work	6,630	2,009	4,621	8,012	1,177	6,835
Totals	120,730	71,518	49,212	126,494	85,647	40,847

10. COMPENSATED ABSENCES

No accrual has been recorded for compensated absences. Vacations are required to be taken during two weeks that The ARC of North Webster is closed during the year. Sick pay accumulates at the rate of one day per month, but is forfeited upon termination.

11. RELATED PARTY TRANSACTIONS

The following payments were made to officers, directors or related parties:

	1997		1996		Purchase of Goods and Services
	Salary	Expense Reim- bursement	Salary	Expense Reim- bursement	
Jim Haygood, Executive Director	19,150	1,766	26,986	1,441	
Deborah Owens, Assistant	20,500	2,559			
Phillip Allison, Assistant Director	4,908		24,542	920	
Lon Park, Board					240
Maureen Umphries, Board Member/Treasurer				250	
L.M. Braley, Board Member		57		222	
Ruth Odom, Board Member				63	
Kathy Thompson, Board Member		33			
Total	44,558	4,415	51,528	2,896	240

Supplementary Information

Jim H. Stevens, Jr. & Company, L.L.P.

Certified Public Accountants

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Dwight L. Pugh, CPA

**Independent Auditor's Report on Internal Control Structure
in Accordance With *Government Auditing Standards***

Board of Directors
The ARC of North Webster
Sarepta, Louisiana

We have audited the financial statements of The ARC of North Webster (a non-profit organization) as of and for the years ended June 30, 1997 and 1996, and have issued our report thereon dated December 19, 1997.

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 North Webster 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.

In planning and performing our audit of the financial statements of the ARC of North Webster for the years ended June 30, 1997 and 1996, 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.

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

The reportable conditions noted are as follows:

Finding: We noted in our report dated December 1, 1995, that deposits for the service station and bake shop were not being made intact daily, and deposits were not being reconciled to the monthly cash report. As of June 30, 1996, deposits were being made daily, but these deposits were not being reconciled to daily reports and differences noted.

We noted in our report dated December 19, 1996, that the deposits were being made on a daily basis, however, they were not being reconciled to the daily cash report by management. We recommended that the sales be recorded and amounts shown on the daily reports and reconciled and the differences be recorded as cash over or (short).

In our report of certain agreed upon procedures dated August 19, 1997, we again reported that deposits were not being made intact daily. Cash differences were still not being reconciled and reported as cash over or (short).

Because of the relatively small amount of cash generated on many days, management and the board felt that it was cost prohibitive to require that a deposit be made every day to each bank account. At that time, the board established criteria whereby, deposits had to be made to all accounts anytime the cash level exceeded certain threshold amounts. That procedure is in operation at this time.

Recommendation: We concur with the assessment of management and the board, that requiring mandatory deposits on each banking day when deposits are often very small, is not cost effective. We recommend that the deposit frequency be monitored and that the board requirements for cash levels and deposit frequency be strictly observed.

We continue to recommend that a cash over or (short) account be established on the general ledger and that the differences be monitored continually by management and the board.

Finding: As noted in our report dated December 19, 1996, a control ledger was not being maintained of the service station accounts receivable and the individual accounts receivable reconciled on a monthly basis.

In our report of agreed upon procedures dated August 19, 1997, we reported that the monthly control report was not reconciled as of June 30, 1997; and in fact, the monthly control log had not been posted for the previous two (2) months. We noted as of December 3, 1997, that the control log was caught up through November 30, 1997, and the accounts receivable sub-ledgers were reconciled as evidenced by an adding machine tape as of that date.

Recommendation: We recommend that management continue monitoring this reconciliation process on a monthly basis.

Finding: We noted in our agreed-upon procedures report dated August 19, 1997, that no procedures had been established for mailing statements on accounts receivable on a timely basis. We recommended that monthly statements be mailed on all accounts and management establish collection procedures for any accounts without payment for more than 30 days.

We determined as of December 3, 1997, that management had implemented procedures for mailing out statements on a monthly basis. Also, management was in process of accumulating all data that could be located on past due accounts in order that they could be turned over for collection.

Recommendation: We recommend that management continue to monitor accounts receivable collections through the procedures which have previously been established.

Finding: In our report dated August 19, 1997, we noted that two (2) part receipts were being used for recording the collection of accounts receivable on the service station, and that the customer was given the original and the copy was filed with the bank deposit slip. We recommended at that time that the ARC of North Webster obtain three (3) part pre-numbered receipts and that one (1) copy be maintained in the receipt book as a permanent audit trail. That recommendation has now been implemented.

Recommendation: None.

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.

Our 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 to be material weaknesses as defined above. However, we believe all of the reportable conditions listed above to also be material weakness.

This report is intended for the information of management, the legislative auditor, and the cognizant funding agency. This restriction is not intended to limit the distribution of this report, which is a matter of public record.


Certified Public Accountants

December 19, 1997

Jim H. Stevens, Jr. & Company, L.L.P.

Certified Public Accountants

209 E. Church Street
Springhill, Louisiana 71075

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

Board of Directors
The ARC of North Webster
Sarepta, Louisiana

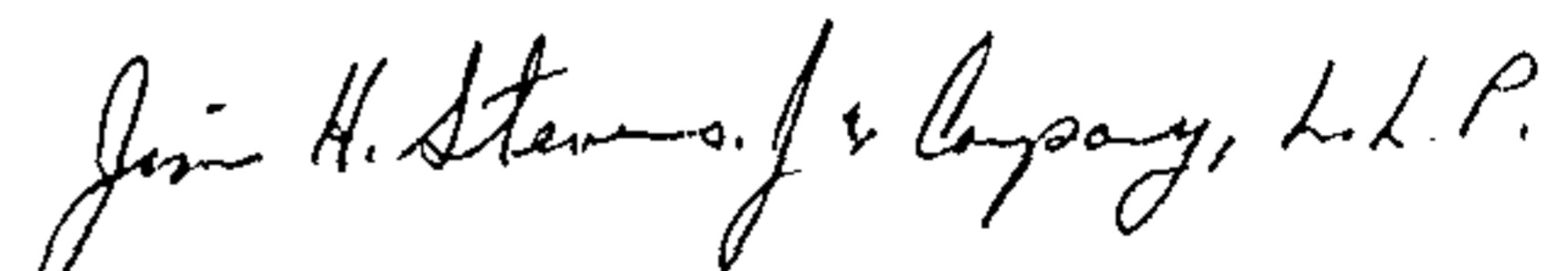
We have audited the financial statements of The ARC of North Webster as of and for the years ended June 30, 1997 and 1996, and have issued our report thereon dated December 19, 1997.

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 North Webster is the responsibility of the management of The ARC of North Webster. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of The ARC of North Webster'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 of compliance disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of management, the legislative auditor, and the cognizant funding agency. This restriction is not intended to limit the distribution of this report, which is a matter of public record.


Certified Public Accountants

December 19, 1997