

To the Board of Directors of
the St. Martin Association
for Retarded Citizens

This report is intended solely for the information of management and the board of directors of the St. Martin Association for Retarded Citizens. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Maraist & Maraist

MARAIST AND MARAIST
CERTIFIED PUBLIC ACCOUNTANTS

December 11, 1996

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December 11, 1996

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SOCIETY OF
LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL AWARD PROGRAM TRANSACTIONS

To the Board of Directors of
the St. Martin Association
for Retarded Citizens
St. Martinville, Louisiana

We have audited the financial statements of the St. Martin Association for Retarded Citizens (a nonprofit organization) as of and for the year ended June 30, 1996, and have issued our report thereon dated December 11, 1996.

In connection with our audit of the financial statements of the St. Martin Association for Retarded Citizens and with our consideration of the Association's internal control structure used to administer federal award programs, as required by Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions," we selected certain transactions applicable to certain nonmajor federal award programs for the year ended June 30, 1996. As required by OMB Circular A-133, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed, eligibility, and reporting that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the St. Martin Association for Retarded Citizen's compliance with those requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the St. Martin Association for Retarded Citizens had not complied, in all material respects, with those requirements. Also, the results of our procedures did not disclose any immaterial instances of noncompliance with those requirements.

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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 of
the St. Martin Association
for Retarded Citizens
St. Martinville, Louisiana

We have audited the financial statements of the St. Martin Association for Retarded Citizens (a nonprofit organization) as of and for the year ended June 30, 1996, and have issued our report thereon dated December 11, 1996.

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 St. Martin Association for Retarded Citizens is the responsibility of the Association's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the St. Martin Association for Retarded Citizens' 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 solely for the information of management and the board of directors of the St. Martin

ST. MARTIN ASSOCIATION FOR RETARDED CITIZENS
 St. Martinville, Louisiana
 STATEMENT OF FUNCTIONAL EXPENSES
 Year Ended June 30, 1996

	Program Services		
	<u>Day Treatment</u>	<u>Residential Program</u>	<u>Supportive Employment</u>
FUNCTIONAL EXPENSES:			
Salaries and wages	\$ 98,569	\$164,152	\$37,133
Employee benefits	9,674	20,421	4,979
Payroll taxes	7,543	14,498	2,727
	-----	-----	-----
Total salaries and related expenses	\$115,786	\$199,071	\$44,839
Rental of property	2,100	-	-
Maintenance & repairs	10,620	7,777	-
Professional fees	-	-	-
Supplies	3,502	492	2,509
Postage & shipping	-	-	-
Insurance	673	-	528
Interest	-	5,236	-
Utilities & telephone	2,007	8,921	-
Dues & publications	-	-	-
Automotive	-	-	-
Provider fees & licenses	-	-	924
Office expense	-	-	-
Ad valorem taxes	1,382	-	-
Personal client needs	1,150	17,431	-
Travel & seminars	-	-	-
Consultant fees	-	14,122	-
Educational	-	5,320	-
Recreational	-	1,163	-
Dietary	793	6,605	-
Food	5,493	24,566	-
Medical & nursing	195	8,826	-
Training costs	-	34,225	-
Association responsibility	4,626	-	-
Housekeeping	1,878	1,706	-
Testing	-	-	5,973
Other	537	760	-
	-----	-----	-----
Total expenses before depreciation	\$150,742	\$336,221	\$54,773
Depreciation	18,963	13,619	-
	-----	-----	-----
Total expenses	\$169,705	\$349,840	\$54,773
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

REVENUE
RECOGNIZED

EXPENDITURES

\$ 144,448

\$ 144,448

543,355

543,355

66,803

66,803

\$ 754,606
=====

\$ 754,606
=====

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL AWARD PROGRAMS

To the Board of Directors of
the St. Martin Association
for Retarded Citizens
St. Martinville, Louisiana

We have audited the financial statements of the St. Martin Association for Retarded Citizens (a nonprofit organization) as of and for the year ended June 30, 1996, and have issued our report thereon dated December 11, 1996.

We have applied procedures to test the St. Martin Association for Retarded Citizens' compliance with the following requirements applicable to its federal award programs, which are identified in the accompanying Schedule of Federal Awards, for the year ended June 30, 1996.

General Requirements

Political Activity	Federal Financial Reports
Civil Rights	Allowable Costs/Cost Principles
Cash Management	Drug-Free Workplace Act

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Audits of Institutions of Higher Learning and Other Non-Profit Institutions". Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the St. Martin Association for Retarded Citizens' compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the St. Martin Association for Retarded Citizens had not complied, in all material respects, with those requirements. Also, the results of our procedures did not disclose any immaterial instances of noncompliance with those requirements.

ST. MARTIN ASSOCIATION FOR RETARDED CITIZENS
NOTES TO FINANCIAL STATEMENTS
(Continued)

(8) COMMITMENTS AND CONTINGENCIES(Continued)

the Association with adequate substantiation for costs incurred in administering the residential home program.

Legal counsel for the St. Martin Association for Retarded Citizens is of the opinion that the potential legal liability associated with the premature termination of the aforementioned agreement is minimal, and does not represent a material contingent liability for the Association.

(9) SCHEDULE OF FINDINGS AND QUESTIONED COSTS

The Association has elected to absorb all non-qualifying costs incurred under federal programs as an Association responsibility, chargeable against the unrestricted net assets of the Association. Sample transactions selected in the conduct of the audit for fiscal year ended June 30, 1996 disclosed no findings or questioned costs which were not absorbed by the Association. Hence, no schedule of findings or questioned costs is presented in this report.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL AWARD PROGRAMS

To the Board of Directors of
the St. Martin Association
for Retarded Citizens
St. Martinville, Louisiana

We have audited the financial statements of the St. Martin Association for Retarded Citizens (a nonprofit organization) as of and for the year ended June 30, 1996, and have issued our report thereon dated December 11, 1996.

We have also audited the St. Martin Association for Retarded Citizens' compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal award programs, which are identified in the accompanying Schedule of Federal Awards, for the year ended June 30, 1996. The management of the St. Martin Association for Retarded Citizens is responsible for the Association's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to in the second paragraph occurred. An audit includes examining, on a test basis, evidence about the St. Martin Association for Retarded Citizens' compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

ST. MARTIN ASSOCIATION FOR RETARDED CITIZENS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

(3) ACCOUNTS RECEIVABLE-GRANTS/CONTRACTS

As of June 30, 1996, accounts receivable from grants and contracts was composed of the following:

State Dept. of Health & Human Services-Office of Mental Retardation	\$ 8,524
United States Dept. of Education Rehabilitative Services Admin.	3,520

	\$12,044
	=====

(4) PLANT ASSETS AND DEPRECIATION

Depreciation of plant assets is calculated on the straight-line basis over the estimated useful lives of the assets. The cost of such assets at June 30, 1996 is as follows:

Land and buildings	\$221,205
Furniture, fixtures & equipment	41,981
Vehicles	131,463

Subtotal	\$394,649
Less: Accumulated Depreciation	(127,905)

Total	\$266,744
	=====

(5) NOTES PAYABLE

The notes payable consist of a real estate mortgage note with a carrying value of \$69,382 payable to St. Martin Bank and Trust, in monthly installments of \$1,094.37 thru April, 2003 including interest at 8.00% is secured by a real estate mortgage on the community homes operated by the association.

ST. MARTIN ASSOCIATION FOR RETARDED CITIZENS
NOTES TO FINANCIAL STATEMENTS
(Continued)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

Buildings and Improvements	25 years
Furniture and Equipment	7 years
Vehicles	5 years

The net fixed asset balance has been recorded as a separate component in unrestricted net assets.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

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.

(2) FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents-Fair value approximates carrying value due to the initial maturities of the instruments being three months or less.

Mortgage Payable-Fair value approximates carrying value since stated rates are similar to rates currently available to the Association for debt with similar terms and remaining maturities.

ST. MARTIN ASSOCIATION FOR RETARDED CITIZENS
NOTES TO FINANCIAL STATEMENTS
(Continued)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status

The St. Martin Association For Retarded Citizens qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes in the accompanying financial statements. There was no unrelated business income for the fiscal year ended June 30, 1996.

Support and Revenue

The St. Martin Association for Retarded Citizens, Inc. receives its grant and contract support primarily from the State Department of Health and Human Services and other state agencies. Support received from those grants and contracts is recognized on a "net funded" basis whereby State Department of Health and Human Services funding is recognized on a last-dollar-in basis. Related expenses incurred are "netted" first by client fees and Medicaid income in determining grant funds to be recognized. The Association receives client fees and Medicaid income for billable client services and recognizes these fees and income when earned.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Fixed Assets

Fixed assets acquired by the St. Martin Association for Retarded Citizens, Inc. are considered to be owned by the Association. However, State funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets.

The Association follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$100.

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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 of
the St. Martin Association
for Retarded Citizens
St. Martinville, Louisiana

We have audited the financial statements of the St. Martin Association for Retarded Citizens, as of June 30, 1996 and for the year then ended, and have issued our report thereon dated December 11, 1996.

We have 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 St. Martin Association for Retarded Citizens 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, irregularities or instances of noncompliance 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.

<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
\$299,854	\$132,113	\$431,967
35,074	9,289	44,363
24,768	9,041	33,809
-----	-----	-----
\$359,696	\$150,443	\$510,139
2,100	-	2,100
18,397	-	18,397
-	11,337	11,337
6,503	-	6,503
-	914	914
1,201	41,406	42,607
5,236	-	5,236
10,928	5,235	16,163
-	2,509	2,509
-	29,928	29,928
924	38,964	39,888
-	16,105	16,105
1,382	-	1,382
18,581	-	18,581
-	8,605	8,605
14,122	-	14,122
5,320	-	5,320
1,163	-	1,163
7,398	-	7,398
30,059	-	30,059
9,021	-	9,021
34,225	-	34,225
4,626	-	4,626
3,584	-	3,584
5,973	-	5,973
1,297	-	1,297
-----	-----	-----
\$541,736	\$305,446	\$847,182
32,582	879	33,461
-----	-----	-----
\$574,318	\$306,325	\$880,643
=====	=====	=====

ST. MARTIN ASSOCIATION FOR RETARDED CITIZENS
 St. Martinville, Louisiana

Schedule of Federal Awards
 For the Year Ended June 30, 1996

SOURCE OF FEDERAL ASSISTANCE/ <u>AGENCY NAME(S)</u>	<u>PROGRAM NAME</u>	FEDERAL CFDA <u>NUMBER</u>
United States Dept. of Health & Human Services- Louisiana Dept. of Health and Hospitals-Div. of Mental Retardation/ Developmental Disabilities	*Social Adult Habilitation Services for the Mentally Retarded	13.667
United States Dept. of Health & Human Services- Louisiana Dept. of Health and Hospitals-Div. of Mental Retardation/ Developmental Disabilities	*Medicaid Title XIX-Medical Assistance Program- Residential Homes for the Mentally Retarded/HCB Waiver	13.714
United States Dept. of Education-Rehabilitative Services Administration	Vocational Rehabilitation Services Basic Support Program	84.126
Total		

*Denotes major federal award program.

ST. MARTIN ASSOCIATION FOR RETARDED CITIZENS
 St. Martinville, Louisiana
 STATEMENT OF CASH FLOWS
 Year Ended June 30, 1996

Exhibit C

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (4,027)
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Depreciation	33,461
Increase in accounts receivable	(5,155)
Increase in other receivables	(318)
Decrease in accounts payable and accrued expenses	(3,819)
Increase in accrued salaries	9,385
Increase in client trust funds owed	12,417

Net cash provided by operating activities	\$ 41,944

CASH FLOWS USED FOR INVESTING ACTIVITIES:

Purchase of investments	\$ (33)
Purchase of land, buildings & equipment	(71,391)

Net cash used for investing activities	\$(71,424)

CASH FLOWS USED FOR FINANCING ACTIVITIES:

Payments on mortgage payable	\$ (7,880)
Payments on installment debt	(907)

Net cash used for financing activities	\$ (8,787)

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (38,267)
--	-------------

CASH AND CASH EQUIVALENTS-JUNE 30, 1995	303,426
---	---------

CASH AND CASH EQUIVALENTS-JUNE 30, 1996	----- \$265,159 =====
---	-----------------------------

The accompanying notes are an integral part of these financial statements.

ST. MARTIN ASSOCIATION FOR RETARDED CITIZENS
 St. Martinville, Louisiana
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 1996

Exhibit B

	<u>Operations</u>	<u>Unrestricted Fixed Assets</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Support:			
Grants and Contracts	\$211,251	\$ -	\$211,251
Contributions	11,592	-	11,592
	-----	-----	-----
Total support	\$222,843	\$ -	\$222,843
	-----	-----	-----
Revenue:			
Client fees	\$ 33,394	\$ -	\$ 33,394
Medicaid/Medicare	543,355	-	543,355
Training revenues	34,200	-	34,200
Work contracts	29,890	-	29,890
Interest/dividend income	9,649	-	9,649
Other	3,285	-	3,285
	-----	-----	-----
Total revenue	\$653,773	\$ -	\$653,773
	-----	-----	-----
TOTAL SUPPORT AND REVENUE	\$876,616	\$ -	\$876,616
	-----	-----	-----
EXPENSES:			
Program services:			
Day treatment	\$150,742	\$ 18,963	\$169,705
Residential	336,221	13,619	349,840
Supportive employment	54,773	-	54,773
	-----	-----	-----
Total program services	\$541,736	\$ 32,582	\$574,318
	-----	-----	-----
Support services:			
General and administrative	\$305,446	\$ 879	\$306,325
	-----	-----	-----
TOTAL EXPENSES	\$847,182	\$ 33,461	\$880,643
	-----	-----	-----
CHANGE IN NET ASSETS	\$ 29,434	\$(33,461)	\$ (4,027)
	-----	-----	-----
REDESIGNATION OF NET ASSETS	(79,271)	79,271	-
	-----	-----	-----
NET ASSETS, BEGINNING OF YEAR	358,127	151,552	509,679
	-----	-----	-----
NET ASSETS, END OF YEAR	\$308,290	\$197,362	\$505,652
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

ST. MARTIN ASSOCIATION FOR RETARDED CITIZENS
 St. Martinville, Louisiana
 STATEMENT OF FINANCIAL POSITION
 June 30, 1996

Exhibit A

ASSETS

Current Assets:		
Cash and cash equivalents		\$265,159
Investments		9,886
Accounts Receivable:		
Grants/Contracts	\$ 12,044	
Medicaid	66,673	
Other	12,994	
	-----	91,365
Total current assets		----- \$366,756
Fixed Assets:		
Land, buildings, & equipment	\$ 49,014	
Buildings and improvements	172,191	
Furniture and equipment	41,981	
Vehicles	131,463	

	\$394,649	
Less: accumulated depreciation	127,905	
	-----	266,744
TOTAL ASSETS		----- \$633,500 =====

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued expenses		\$ 13,952
Accrued salaries		9,385
Due to clients-trust fund balance		25,341
Current portion of mortgage payable		8,200

Total current liabilities		\$ 56,878
Mortgage payable, less current portion		61,182

Total liabilities		\$118,060
Net Assets:		
Unrestricted:		
Operations	\$308,290	
Fixed Assets	197,362	

		\$505,652
Permanently restricted		9,788

Total net assets		515,440
TOTAL LIABILITIES AND NET ASSETS		----- \$633,500 =====

The accompanying notes are an integral part of these financial statements.

To the Board of Directors of
the St. Martin Association
for Retarded Citizens

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the St. Martin Association for Retarded Citizens taken as a whole. The accompanying Schedule of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated December 11, 1996, on our consideration of the Association's internal control structure and a report dated December 11, 1996, on its compliance with laws and regulations.

Maraist & Maraist

Maraist & Maraist
Certified Public Accountants

December 11, 1996

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INDEPENDENT AUDITOR'S COMBINED REPORT ON THE BASIC FINANCIAL STATEMENTS AND THE SCHEDULE OF FEDERAL AWARDS

To the Board of Directors of
the St. Martin Association
for Retarded Citizens

We have audited the accompanying statement of financial position of the St. Martin Association for Retarded Citizens (a nonprofit organization) as of June 30, 1996, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Association'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; Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Non-Profit Institutions". Those standards and OMB Circular A-133 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 St. Martin Association for Retarded Citizens as of June 30, 1996, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, in fiscal year ended June 30, 1996, the Association changed its method of accounting for contributions and its method of financial reporting and financial statement presentation.

Receipt Acknowledged
Legislative Auditor

By _____

ST. MARTIN ASSOCIATION FOR RETARDED CITIZENS
St. Martinville, Louisiana

Financial Statements and Auditor's Report
For The Year Ended June 30, 1996

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ST. MARTIN ASSOCIATION FOR RETARDED CITIZENS
St. Martinville, Louisiana

Financial Statements and Auditor's Report
For The Year Ended June 30, 1996

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**ST. MARTIN ASSOCIATION FOR
RETARDED CITIZENS**

St. Martinville, Louisiana

FINANCIAL REPORT

Year Ended June 30, 1996

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 22 1997

ST. MARTIN ASSOCIATION FOR RETARDED CITIZENS
St. Martinville, Louisiana
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The St. Martin Association For Retarded Citizens is non-profit community organization which operates an adult habilitation center and two residential community homes serving the needs of the mentally retarded citizens of St. Martin Parish, Louisiana.

Financial Statement Presentation

In 1996, the St. Martin Association for Retarded Citizens, Inc. adopted Statement of Financial Accounting Standards(SFAS) No. 117, "Financial Statements of 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) based upon the existence or absence of donor-imposed restrictions. As permitted by this new standard, the Association has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present classes of net assets. The reclassification had no cumulative effect on the change in net assets for the year ended June 30, 1996.

The St. Martin Association for Retarded Citizens, Inc. also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made," in 1996. 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. The adoption had no cumulative effect on net assets at the date of adoption.

Basis of Accounting

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

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

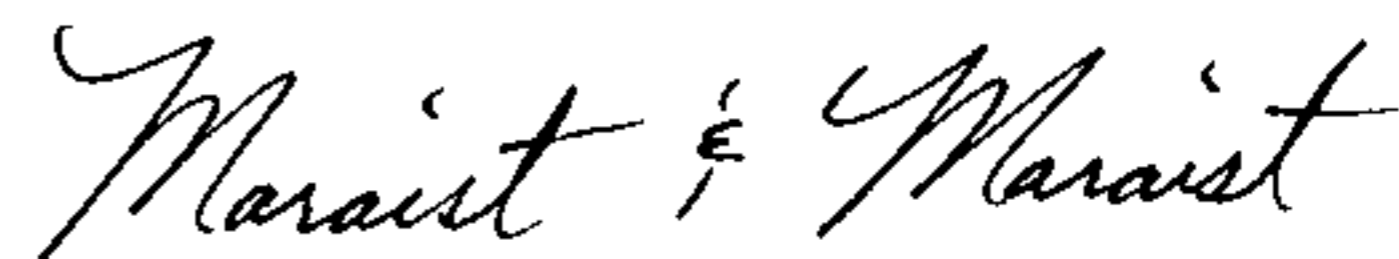
To the Board of Directors of
the St. Martin Association
for Retarded Citizens

In planning and performing our audit of the financial statements of the St. Martin Association for Retarded Citizens, as of and for the year ended June 30, 1996, we obtained an understanding of its 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 assurance 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 general purpose 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.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the St. Martin Association for Retarded Citizens in a separate letter dated December 11, 1996.

This report is intended solely for the information of the management, and the board of directors of the St. Martin Association for Retarded Citizens. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



MARAIST AND MARAIST
CERTIFIED PUBLIC ACCOUNTANTS

December 11, 1996

ST. MARTIN ASSOCIATION FOR RETARDED CITIZENS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

(5) NOTES PAYABLE(Continued)

The annual requirements to amortize all notes outstanding at June 30, 1996, including interest of \$20,557 are as follows:

Fiscal Year <u>End</u>	<u>Total</u>
6/97	13,132
6/98	13,132
6/99	13,132
6/2000	13,132
6/2001	13,132
6/2002-6/2003	24,279

Total	\$89,939
	=====

(6) PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are endowment funds restricted in perpetuity by the donor to continue the traditional services of the Association. Income generated by these assets can be used for operating expenses.

(7) RETIREMENT PLANS

All employees of the St. Martin Association for Retarded Citizens are members of the Social Security Retirement System. No supplemental contributory retirement or pension plans are maintained or provided by the Association.

(8) COMMITMENTS AND CONTINGENCIES

The St. Martin Association for Retarded Citizens is contingently liable for premature termination of an agency agreement with Medical Services Corporation of Atlanta, Georgia. Prior to April, 1991 Medical Services Corporation operated two residential homes for the mentally retarded under the terms of an agency agreement between Medical Services Corporation and the St. Martin Association for Retarded Citizens. As a result of a dispute between the aforementioned parties as to costs incurred for and costs allocated to the operation of the residential homes, the St. Martin Association for Retarded Citizens has taken over the operation of the residential homes and declared to Medical Services Corporation that their previous agency agreement is null and void, due to Medical Services Corporation's failure to provide

To the Board of Directors of
the St. Martin Association
for Retarded Citizens

This report is intended solely for the information of the management, and the board of directors of the St. Martin Association for Retarded Citizens. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Maraist & Maraist

MARAIST AND MARAIST
CERTIFIED PUBLIC ACCOUNTANTS

December 11, 1996

To the Board of Directors of
the St. Martin Association
for Retarded Citizens

Specific Requirements:
Allowable Services
Eligibility
Cost Allocation

For all of the internal control structure categories listed in the preceding paragraph, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended June 30, 1996, the St. Martin Association for Retarded Citizens expended 90 percent of its total federal awards under major federal award programs.

We performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the Association's major federal award programs, which are identified in the accompanying Schedule of Federal Awards. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal award programs would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. 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 noncompliance with laws and regulations that would be material to a federal award program 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 a material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the St. Martin Association for Retarded Citizens in a separate letter dated December 11, 1996.

To the Board of Directors of
the St. Martin Association
for Retarded Citizens

Association for Retarded Citizens. This restriction is not
intended to limit the distribution of this report, which is a
matter of public record.

Maraist & Maraist

MARAIST AND MARAIST
CERTIFIED PUBLIC ACCOUNTANTS

December 11, 1996

MARAIST & MARAIST

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SOCIETY OF
LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL AWARDS

To the Board of Directors of
the St. Martin Association
for Retarded Citizens
St. Martinville, Louisiana

We have audited the financial statements of the St. Martin Association for Retarded Citizens (a nonprofit organization), as of June 30, 1996 and for the year then ended, and have issued our report thereon dated December 11, 1996. We have also audited the Association's compliance with requirements applicable to major federal award programs and have issued our report thereon dated December 11, 1996.

We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, and whether the Association complied with laws and regulations, noncompliance with which would be material to a major federal award program.

In planning and performing our audit of the financial statements of the St. Martin Association for Retarded Citizens, as of and for the year ended June 30, 1996, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the Association's financial statements and on its compliance with requirements applicable to major programs, and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal award programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated December 11, 1996.

To the Board of Directors of
the St. Martin Association
for Retarded Citizens

The results of our audit procedures did not disclose any immaterial instances of noncompliance with the requirements referred to above.

In our opinion, the St. Martin Association for Retarded Citizens complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal award programs for the year ended June 30, 1996.

This report is intended solely for the information of management and the board of directors of the St. Martin Association for Retarded Citizens. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Maraist & Maraist

MARAIST AND MARAIST
CERTIFIED PUBLIC ACCOUNTANTS

December 11, 1996

To the Board of Directors of
the St. Martin Association
for Retarded Citizens

The management of the St. Martin Association for Retarded Citizens 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, and that federal award programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities or instances of noncompliance 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.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal award programs in the following categories:

Accounting Controls

Cash and Petty Cash
Investments
Payroll and Related Expenses
Property and Equipment
Donated Materials, Facilities and Services
Debt and Other Liabilities
Fund Balances
Support, Program Service Fees, Revenues
and Receivables
Expenditures for Goods, Services and Payables

Administrative Controls

General Requirements:
Political Activity
Drug Free Workplace Act
Civil Rights
Cash Management
Federal Financial Reports
Allowable Costs/Cost Principles
Administrative Requirements