

9. Investments.

Investments at June 30, 1996 and 1995, are summarized as follows:

<u>June 30, 1996</u>	<u>Cost</u>	<u>Approximate Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
<u>Unrestricted and undesignated:</u>			
Common stock	255,233	272,909	17,676
Corporate bonds	1,005,157	993,812	(11,345)
U. S. Government Agency bonds	<u>215,256</u>	<u>211,829</u>	<u>(3,427)</u>
	<u>1,475,646</u>	<u>1,478,550</u>	<u>2,904</u>
<u>Designated for workmens' compensation claims:</u>			
Common stock	66,838	66,516	(322)
Corporate bonds	<u>191,916</u>	<u>188,989</u>	<u>(2,927)</u>
	<u>258,754</u>	<u>255,505</u>	<u>(3,249)</u>
 <u>June 30, 1995</u>			
<u>Unrestricted and undesignated:</u>			
Common stock	247,774	261,400	13,626
Corporate bonds	790,599	797,141	6,542
U. S. Government Agency bonds	<u>248,227</u>	<u>250,221</u>	<u>1,994</u>
	<u>1,286,600</u>	<u>1,308,762</u>	<u>22,162</u>

10. Fair Values of Financial Instruments.

C-BARC's financial instruments consist of cash, investments, receivables, and current payables. Fair values of investments are disclosed at Note 9. Because of their relatively short maturities, carrying values of cash, receivables and all payables approximate their fair values at June 30, 1996.

11. Conditional Promises.

Conditional promises consist of the unfunded portions of approved governmental awards, either currently in effect or approved for commencement after June 30, 1996. Future funding of such awards is conditioned upon the Association's operation of certain programs and incurrence of certain costs. Because such awards represent conditional promises to the Association, they have not been recognized in the financial statements. Such conditional promises amounted to approximately \$1,741,000 at June 30, 1996.

Land, Building and Equipment Fund	Total All Funds (Memorandum Only)	
	June 30, 1996	June 30, 1995
-	1,094,080	1,377,873
-	1,731,151	1,286,600
-	1,192,757	999,257
-	20,829	12,549
-	4,303	3,668
4,188,025	4,188,025	4,075,326
<u>(2,073,517)</u>	<u>(2,073,517)</u>	<u>(1,851,899)</u>
<u>2,114,508</u>	<u>6,157,628</u>	<u>5,903,374</u>
-	2,431	2,068
-	426,989	491,063
-	<u>16,177</u>	<u>16,543</u>
-	445,597	509,674
<u>2,114,508</u>	<u>5,712,031</u>	<u>5,393,700</u>
<u>2,114,508</u>	<u>6,157,628</u>	<u>5,903,374</u>

C-BARC, THE ARC OF CADDO-BOSSIER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AT JUNE 30, 1996

1. Nature of Business.

C-BARC, The Arc of Caddo-Bossier is a not-for-profit public service Association exempt from federal income taxation under Internal Revenue Code Section 501(c)(3). Revenues are derived primarily from the following:

- a) State of Louisiana, generally under third-party reimbursement plans
- b) Title XIX
- c) United Way
- d) Contributions from the general public
- e) Contract work by the retarded clients for various types of companies

The Arc provides education, training, and work opportunities for the mentally retarded of all ages.

2. Summary of Significant Accounting Policies.

a) Financial Statement Presentation:

During the year ended June 30, 1996, C-BARC adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, C-BARC is required to report information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions. Accordingly, net assets of C-BARC and changes therein may be classified and reported as follows:

Unrestricted net assets-Net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the Board for specific purposes.

Temporarily restricted net assets-Net assets subject to donor-imposed stipulations that may or will be met by actions of C-BARC, and/or by the passage of time.

Permanently restricted net assets-Net assets subject to donor-imposed stipulations that they be maintained permanently by C-BARC. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

There were no significant temporarily or permanently restricted net assets at June 30, 1996.

b) Contributions:

C-BARC also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made," in 1995. 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-imposed restrictions.

c) Promises to Give:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as

2. Summary of Significant Accounting Policies. (Continued)

increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

C-BARC uses the allowance method to determine uncollectible unconditional promises receivable, when material. The allowance is based on prior years' experience and management's analysis of specific promises made.

d) Investments:

Investments are stated at the lower of cost or market value.

e) 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.

f) Land, Building and Equipment:

Land, building and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Estimated Life</u>
Furniture, fixtures, and equipment	5-10 years
Vehicles	3-5 years
Buildings and improvements	10-40 years

All expenditures for fixed assets in excess of \$500 are capitalized.

g) Advertising Costs:

Costs of advertising are expensed as incurred.

h) Wholly-Owned Subsidiary:

The financial statements include the accounts of C-BARC and Cebolla Enterprises, Inc., a wholly-owned subsidiary. All intercompany transactions have been eliminated in the consolidated financial statements.

i) Functional Expenses:

Functional expenses are generally allocated based on the relative amount of direct expenses incurred by each division.

j) Cash Equivalents:

For purposes of the statement of cash flows, C-BARC considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents. All cash on deposit with financial institutions is fully secured through a combination of deposit insurance and collateralization by sufficient U.S. Government securities owned by the institution.

k) Compensated Absences:

Annual leave is earned by employees as follows:

2. Summary of Significant Accounting Policies. (Continued)

<u>Length of Service</u>	<u>Annual Leave Earned</u>
Less than six months	None
From six months to one year	Seven and one-half days
From one to five years	Eighteen days
From five to ten years	Twenty-one days
From ten to twenty years	Twenty-four days
Over twenty years	Twenty-seven days

Generally, no more than five days of unused leave may be carried forward to the next fiscal year.

Sick leave is included in annual leave.

1) Prior Year Financial Information:

The financial information for the year ended June 30, 1995 is presented for comparative purposes, and is not intended to be a complete financial statement presentation.

3. Designated Amounts.

Board-designated amounts and related activity are summarized as follows:

	<u>1995</u>	<u>Income</u>	<u>Expenses</u>	<u>Transfers</u>	<u>1996</u>
Client Advocacy	122,683	826	5,773	-	117,736
Conly WAC	15,612	-	-	-	15,612
Goldman School	64,879	3,513	766	8,884	76,510
Child Development Center	8,944	-	-	(8,944)	-
Library	643	750	1,453	60	-
Residential	29,025	88	-	-	29,113
Case Management	1,512	-	-	-	1,512
Adult Services	57,231	33,553	20,891	-	69,893
Children's Services	570	2,565	2,515	-	620
Designated for workmens' compensation claims	311,224	3,002	-	100,000	414,226
Administration	<u>29,352</u>	<u>-</u>	<u>3,727</u>	<u>-</u>	<u>25,625</u>
Totals	<u>641,675</u>	<u>44,297</u>	<u>35,125</u>	<u>100,000</u>	<u>750,847</u>

4. Accounts Receivable.

Accounts receivable due the Arc at year end are as follows:

	<u>1996</u>	<u>1995</u>
Contract work	263,224	248,738
State of Louisiana	399,065	287,207
Title XIX	483,431	449,659
Other	<u>47,037</u>	<u>13,653</u>
Total	<u>1,192,757</u>	<u>999,257</u>

Receivables from contract work arise from credit granted to various businesses located in the Shreveport area. Receivables from the State of Louisiana arise from funds due C-BARC under various grants, and which are unpaid as of the end of the fiscal year.

5. Land, Building and Equipment.

Land, building and equipment is composed of the following:

<u>June 30, 1996</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	346,488	-	346,488
Buildings	2,332,527	1,022,872	1,309,655
Furniture and equipment	1,118,519	812,989	305,530
Vehicles	135,116	104,963	30,153
Improvements	<u>255,375</u>	<u>132,693</u>	<u>122,682</u>
Totals	<u>4,188,025</u>	<u>2,073,517</u>	<u>2,114,508</u>
<u>June 30, 1995</u>			
Land	346,488	-	346,488
Buildings	2,332,527	945,597	1,386,930
Furniture and equipment	1,029,023	704,492	324,531
Vehicles	139,406	91,048	48,358
Improvements	<u>227,882</u>	<u>110,762</u>	<u>117,120</u>
Totals	<u>4,075,326</u>	<u>1,851,899</u>	<u>2,223,427</u>

6. Commitments.

C-BARC leases many of its vehicles and equipment, generally over one to five year terms, under operating lease arrangements. Future minimum lease payments for the next five years ending June 30 are as follows:

1997	112,674
1998	92,643
1999	55,881
2000	-
2001	-
Total	<u>261,198</u>

7. Trust Funds.

The Arc is a beneficiary in various testamentary trusts. The terms of these trusts stipulate that the trust assets be invested in perpetuity, and that the annual income only be distributed to the beneficiaries. The Arc received approximately \$22,000 in distributions from these trusts during the fiscal year.

8. Other Employee Expenses.

The Arc participates in a profit sharing plan, which is available to all employees who have attained age 18 and have completed one year of service. The plan provides for no vesting until after three years of participation, at which time the employee is fully vested. All contributions by the employer are discretionary; employees may, but are not required to, contribute. Other employee expenses for the year ended June 30, 1996, include contributions to the profit sharing plan in the approximate amount of \$175,000.

SUPPLEMENTARY INFORMATION

<u>Case Management Services</u>	<u>Residential Services</u>	<u>Management and General</u>	<u>Total</u>
58,586	256,014	30,312	2,181,023
235,703	4,526,358	-	5,000,158
-	-	-	-
-	-	111,463	111,463
-	88	32,686	38,352
-	-	-	233,609
-	12,660	-	18,448
<u>25,000</u>	<u>-</u>	<u>-</u>	<u>35,017</u>
319,289	4,795,120	174,461	7,618,070
-	-	16,377	1,633,153
-	-	8,195	8,195
-	-	178,144	178,144
<u>528</u>	<u>900</u>	<u>762</u>	<u>8,129</u>
<u>528</u>	<u>900</u>	<u>203,478</u>	<u>1,827,621</u>
319,817	4,796,020	377,939	9,445,691
400,256	3,212,374	688,347	7,264,091
<u>77,608</u>	<u>1,119,254</u>	<u>(246,938)</u>	<u>1,639,865</u>
477,864	4,331,628	441,409	8,903,956
<u>1,632</u>	<u>80,052</u>	<u>47,026</u>	<u>223,404</u>
<u>479,496</u>	<u>4,411,680</u>	<u>488,435</u>	<u>9,127,360</u>
<u>(159,679)</u>	<u>384,340</u>	<u>(110,496)</u>	<u>318,331</u>

HEARD, McELROY & VESTAL, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MEMBER AMERICAN INSTITUTE

OF CERTIFIED PUBLIC ACCOUNTANTS

GILBERT B. SHANLEY, JR., C. P. A., A. P. C.
C. CODY WHITE, JR., C. P. A., A. P. C.
J. PETER GAFFNEY, C. P. A., A. P. C.
SPENCER BEENARD, JR., C. P. A.
WILLIAM L. HIGHTOWER, C. P. A.
H. Q. GAHAGAN, JR., C. P. A., A. P. C.
GERALD W. HEDGCOCK, JR., C. P. A., A. P. C.
TIM B. NIELSEN, C. P. A.
JOHN W. DEAN, C. P. A., A. P. C.
MARK D. ELDRIDGE, C. P. A.
MICHAEL E. GLEASON, C. P. A.

COMMERCIAL NATIONAL TOWER
15TH FLOOR
333 TEXAS STREET
P. O. BOX 1607
SHREVEPORT, LA 71165
TELEPHONE (318) 429-1525
FACSIMILE (318) 429-2070

GREENACRES OFFICE PARK
2285 BENTON ROAD
SUITE B-100
BOSSIER CITY, LA 71111
TELEPHONE (318) 674-3560
FACSIMILE (318) 742-9292

O. PATRICK AVINGOR, JR., C. P. A. (RET.)
WILLIAM E. ALLEN, C. P. A. (RET.)

S. BERTON HEARD, C. P. A. (1986)
EDWARD N. ATKINSON, C. P. A. (1981)
CHARLES E. VESTAL, C. P. A. (1990)

September 13, 1996

The Board of Directors
C-BARC, The Arc of Caddo-Bossier
Shreveport, Louisiana

Independent Auditor's Report on Supplementary Information

We have audited the consolidated financial statements of C-BARC, The Arc of Caddo-Bossier as of and for the year ended June 30, 1996, and have issued our report thereon dated September 13, 1996. These consolidated financial statements are the responsibility of the management of C-BARC, The Arc of Caddo-Bossier. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements of C-BARC, The Arc of Caddo-Bossier taken as a whole. The supplementary information on Pages 12 and 13 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly presented in all material respects in relation to the consolidated financial statements taken as a whole.

Heard, McElroy & Vestal, LLP

C-BARC, THE ARC OF CADDO-BOSSIER

CONSOLIDATED CHANGE IN NET ASSETS BY DIVISION

FOR THE YEAR ENDED JUNE 30, 1996

	<u>Adult Services</u>	<u>Children Services</u>
<u>Public support and revenue:</u>		
<u>Public support:</u>		
State of Louisiana	940,710	895,401
Title XIX	195,920	42,177
City of Shreveport	-	-
United Way	-	-
Contributions	-	5,578
Service fees	163,967	69,642
Client services	5,788	-
Other public support	-	<u>10,017</u>
Total public support	<u>1,306,385</u>	<u>1,022,815</u>
<u>Revenue:</u>		
Sales revenue	1,616,277	499
Membership dues	-	-
Investment income	-	-
Other income	-	<u>5,939</u>
Total revenue	<u>1,616,277</u>	<u>6,438</u>
Total public support and revenue	2,922,662	1,029,253
Total salaries and payroll related expenses	2,154,432	808,682
Total other expenses before depreciation	<u>532,985</u>	<u>156,956</u>
Total expenses before depreciation	2,687,417	965,638
Depreciation expense	<u>85,968</u>	<u>8,726</u>
Total expenses	<u>2,773,385</u>	<u>974,364</u>
<u>Change in net assets</u>	<u>149,277</u>	<u>54,889</u>

HEARD, McELROY & VESTAL, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MEMBER AMERICAN INSTITUTE

OF CERTIFIED PUBLIC ACCOUNTANTS

GILBERT R. SHANLEY, JR., C. P. A., A. P. C.
C. CODY WHITE, JR., C. P. A., A. P. C.
J. PETER GAFFNEY, C. P. A., A. P. C.
SPENCER BERNARD, JR., C. P. A.
WILLIAM L. HIGHTOWER, C. P. A.
H. Q. GAHAGAN, JR., C. P. A., A. P. C.
GERALD W. HEDCOCK, JR., C. P. A., A. P. C.
TIM B. NIELSEN, C. P. A.
JOHN W. DEAN, C. P. A., A. P. C.
MARK D. ELDREDGE, C. P. A.
MICHAEL E. GLEASON, C. P. A.

COMMERCIAL NATIONAL TOWER
15TH FLOOR
333 TEXAS STREET
P. O. BOX 1607
SHREVEPORT, LA 71165
TELEPHONE (318) 429-1525
FACSIMILE (318) 429-2070

GREENACRES OFFICE PARK
2285 BENTON ROAD
SUITE B-100
BOSSIER CITY, LA 71111
TELEPHONE (318) 674-3560
FACSIMILE (318) 742-9292

O. PATRICK AVINGER, JR., C. P. A. (RET.)
WILLIAM E. ALLEN, C. P. A. (RET.)

S. BERTON HEARD, C. P. A. (1986)
EDWARD N. ATKINSON, C. P. A. (1981)
CHARLES E. VESTAL, C. P. A. (1990)

September 13, 1996

The Board of Directors
C-BARC, The Arc of Caddo-Bossier
Shreveport, Louisiana

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

We have audited the consolidated financial statements of C-BARC, The Arc of Caddo-Bossier as of and for the year ended June 30, 1996, and have issued our report thereon dated September 13, 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 consolidated financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to C-BARC, The Arc of Caddo-Bossier is the responsibility of its management. As part of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement, we performed tests of C-BARC, The Arc of Caddo-Bossier's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the consolidated 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 management, the board of directors, and the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Heard, McElroy + Vestal, LLP

Land, Building and Equipment Fund	Total All Funds (Memorandum Only)	
	June 30, 1996	June 30, 1995
(193,409)	318,331	575,702
223,404	223,404	205,466
-	(193,500)	(24,079)
-	(8,280)	(330)
-	(635)	918
-	363	(1,664)
-	(64,074)	50,293
-	(366)	2,121
<u>223,404</u>	<u>(43,088)</u>	<u>232,725</u>
29,995	275,243	808,427
-	(444,551)	(187,821)
<u>(114,485)</u>	<u>(114,485)</u>	<u>(351,274)</u>
(114,485)	(559,036)	(539,095)
<u>84,490</u>	<u>-</u>	<u>-</u>
-	(283,793)	269,332
<u>-</u>	<u>1,377,873</u>	<u>1,108,541</u>
<u>-</u>	<u>1,094,080</u>	<u>1,377,873</u>
<u>-</u>	<u>-</u>	<u>-</u>

The Board of Directors
C-BARC, The Arc of Caddo-Bossier
September 13, 1996
Page 2

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 management, the board of directors, and the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Heard McElroy + Ventral, LLP

C-BARC, THE ARC OF CADDO-BOSSIER

SHREVEPORT, LOUISIANA

JUNE 30, 1996

Case Management Services	Residential Services	Management and General	Total All Funds (Memorandum Only)	
			June 30, 1996	June 30, 1995
334,154	2,607,188	551,631	5,932,868	6,019,375
53,820	381,902	87,999	849,536	832,975
<u>12,282</u>	<u>223,284</u>	<u>48,717</u>	<u>481,687</u>	<u>620,808</u>
400,256	3,212,374	688,347	7,264,091	7,473,158
1,331	-	48,663	54,816	41,797
-	43,093	24,358	91,940	81,289
179	208,833	923	212,496	197,811
1,796	7,472	50,910	89,372	113,652
-	4	10,512	18,960	21,873
6,888	18,921	17,795	61,282	67,576
1,007	97,734	106,608	314,897	298,317
301	5,304	8,364	20,958	28,648
22,308	26,436	19,533	105,805	145,031
258	4,685	24,566	72,146	66,337
3,434	47,056	30,944	126,792	113,548
-	3,041	-	17,441	19,821
-	65,620	48,678	119,842	118,508
-	-	1,424	1,424	1,260
-	-	-	-	-
-	85,075	19,267	139,230	135,116
-	17,070	2,400	19,470	19,738
-	18,194	-	18,194	16,202
-	12,322	-	12,322	-
-	23,927	-	23,927	24,550
-	-	-	-	-
-	10,779	602	13,323	14,487
2,550	45,876	64	63,322	72,354
-	24,785	-	24,785	2,250
-	-	-	-	7,786
<u>37,556</u>	<u>353,027</u>	<u>(662,549)</u>	<u>17,121</u>	<u>5,025</u>
<u>77,608</u>	<u>1,119,254</u>	<u>(246,938)</u>	<u>1,639,865</u>	<u>1,612,976</u>
477,864	4,331,628	441,409	8,903,956	9,086,134
<u>1,632</u>	<u>80,052</u>	<u>47,026</u>	<u>223,404</u>	<u>205,466</u>
<u>479,496</u>	<u>4,411,680</u>	<u>488,435</u>	<u>9,127,360</u>	<u>9,291,600</u>

HEARD, McELROY & VESTAL, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MEMBER AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

GILBERT R. SHANLEY, JR., C. P. A., A. P. C.
C. CODY WHITE, JR., C. P. A., A. P. C.
J. PETER GAFFNEY, C. P. A., A. P. C.
SPENCER BERNARD, JR., C. P. A.
WILLIAM L. HIGHTOWER, C. P. A.
H. Q. GAHAGAN, JR., C. P. A., A. P. C.
GERALD W. HEDGCOCK, JR., C. P. A., A. P. C.
TIM B. NIELSEN, C. P. A.
JOHN W. DEAN, C. P. A., A. P. C.
MARK D. ELDREDGE, C. P. A.
MICHAEL E. GLEASON, C. P. A.

COMMERCIAL NATIONAL TOWER
15TH FLOOR
333 TEXAS STREET
P. O. BOX 1607
SHREVEPORT, LA 71165
TELEPHONE (318) 429-1525
FACSIMILE (318) 429-2070

GREENACRES OFFICE PARK
2285 BENTON ROAD
SUITE B-100
BOSSIER CITY, LA 71111
TELEPHONE (318) 674-3560
FACSIMILE (318) 742-9292

O. PATRICK AVINGER, JR., C. P. A. (RET.)
WILLIAM E. ALLEN, C. P. A. (RET.)

S. BERTON HEARD, C. P. A. (1986)
EDWARD N. ATKINSON, C. P. A. (1981)
CHARLES E. VESTAL, C. P. A. (1990)

September 13, 1996

The Board of Directors
C-BARC, The Arc of Caddo-Bossier
Shreveport, Louisiana

Report on Compliance With General Requirements

We have audited the consolidated financial statements of C-BARC, The Arc of Caddo-Bossier as of and for the year ended June 30, 1996, and have issued our report thereon dated September 13, 1996.

We have applied procedures to test the Arc's 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: political activity, civil rights, cash management, allowable costs/cost principles, and administrative requirements.

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 Arc's 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 C-BARC, The Arc of Caddo-Bossier has not complied, in all material respects, with those requirements.

This report is intended for the information of management, the board of directors, and the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Heard, McElroy & Vestal, LLP

C-BARC, THE ARC OF CADDO-BOSSIER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 1996

	<u>Adult Services</u>	<u>Children Services</u>
Salaries	1,749,568	690,327
Payroll taxes	231,447	94,368
Other employee expenses-Note 8	<u>173,417</u>	<u>23,987</u>
Total salaries and payroll related expenses	2,154,432	808,682
Professional	4,822	-
Insurance	24,489	-
Licenses	2,274	287
Office expense	25,069	4,125
Postage and publication	8,426	18
Telephone	16,052	1,626
Repairs and maintenance	109,329	219
Training	4,391	2,598
Travel and conventions	22,396	15,132
Operating supplies	17,643	24,994
Utilities	44,750	608
Rent	14,400	-
Vehicle lease	5,544	-
Property tax	-	-
Interest	-	-
Food	23,774	11,114
Household supplies	-	-
Clothing	-	-
Personal necessities	-	-
Medical	-	-
SFC board rate	-	-
Transportation and outing	1,942	-
Consultant fees	8,732	6,100
Day program	-	-
Miscellaneous	-	-
Administrative allocation	<u>198,952</u>	<u>90,135</u>
Total other expenses before depreciation	<u>532,985</u>	<u>156,956</u>
Total expenses before depreciation	2,687,417	965,638
<u>Depreciation expense</u>	<u>85,968</u>	<u>8,726</u>
<u>Total expenses</u>	<u>2,773,385</u>	<u>974,364</u>

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

C-BARC, THE ARC OF CADDO-BOSSIER
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1996

	<u>General Fund</u>	
	<u>Unrestricted</u>	<u>Designated</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	502,568	9,172
Adjustments to reconcile change in net assets to net cash provided by operating expenses:		
Depreciation	-	-
(Increase) in accounts receivable	(193,500)	-
(Increase) in prepaid expenses and other assets	(8,280)	-
(Increase) decrease in inventory	(635)	-
Increase (decrease) in accounts payable	363	-
Increase (decrease) in payroll liabilities	(64,074)	-
Increase (decrease) in accrued expenses	(366)	-
Total adjustments	<u>(266,492)</u>	<u>-</u>
Net cash provided by operating activities	236,076	9,172
 <u>Cash flows from investing activities:</u>		
Purchase of investments	(189,046)	(255,505)
Purchase of fixed assets	-	-
Net cash (used) by investing activities	<u>(189,046)</u>	<u>(255,505)</u>
 <u>Transfers</u>	<u>(184,490)</u>	<u>100,000</u>
 <u>Net increase (decrease) in cash and cash equivalents</u>	(137,460)	(146,333)
 <u>Cash and cash equivalents at beginning of year</u>	<u>736,198</u>	<u>641,675</u>
 <u>Cash and cash equivalents at end of year</u>	<u>598,738</u>	<u>495,342</u>
 <u>Supplemental disclosures:</u>		
Interest paid	<u>-</u>	<u>-</u>

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

Land, Building and Equipment Fund	Total All Funds (Memorandum Only)	
	June 30, 1996	June 30, 1995
-	2,181,023	2,197,704
-	5,000,158	5,278,304
-	-	72,285
-	111,463	128,345
29,995	38,352	36,578
-	233,609	199,091
-	18,448	21,138
-	35,017	131,411
<u>29,995</u>	<u>7,618,070</u>	<u>8,064,856</u>
-	1,633,153	1,635,493
-	8,195	7,575
-	178,144	150,110
-	8,129	9,268
<u>-</u>	<u>1,827,621</u>	<u>1,802,446</u>
29,995	9,445,691	9,867,302
85,968	2,773,385	2,759,352
8,726	974,364	1,053,316
1,632	479,496	522,759
80,052	4,411,680	4,462,485
47,026	488,435	493,688
<u>223,404</u>	<u>9,127,360</u>	<u>9,291,600</u>
(193,409)	318,331	575,702
2,223,427	5,393,700	4,817,998
84,490	-	-
<u>2,307,917</u>	<u>5,393,700</u>	<u>4,817,998</u>
<u>2,114,508</u>	<u>5,712,031</u>	<u>5,393,700</u>

OTHER REPORTS

HEARD, McELROY & VESTAL, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MEMBER AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

GILBERT R. SHANLEY, JR., C. P. A., A. P. C.
C. CODY WHITE, JR., C. P. A., A. P. C.
J. PETER GAFFNEY, C. P. A., A. P. C.
SPENCER BERNARD, JR., C. P. A.
WILLIAM L. HIGHTOWER, C. P. A.
H. Q. GAHAGAN, JR., C. P. A., A. P. C.
GERALD W. HEDGCOCK, JR., C. P. A., A. P. C.
TIM B. NIELSEN, C. P. A.
JOHN W. DEAN, C. P. A., A. P. C.
MARK D. ELDREDGE, C. P. A.
MICHAEL E. OLEASON, C. P. A.

COMMERCIAL NATIONAL TOWER
15TH FLOOR
333 TEXAS STREET
P. O. BOX 1607
SHREVEPORT, LA 71165
TELEPHONE (318) 429-1525
FACSIMILE (318) 429-2070

GREENACRES OFFICE PARK
2285 BENTON ROAD
SUITE B-100
BOSSIER CITY, LA 71111
TELEPHONE (318) 674-3560
FACSIMILE (318) 742-9292

O. PATRICK AVINGER, JR., C. P. A. (RET.)
WILLIAM E. ALLEN, C. P. A. (RET.)

S. BERTON HEARD, C. P. A. (1986)
EDWARD N. ATKINSON, C. P. A. (1981)
CHARLES E. VESTAL, C. P. A. (1990)

September 13, 1996

The Board of Directors
C-BARC, The Arc of Caddo-Bossier
Shreveport, Louisiana

Report on the Internal Control Structure Used in Administering Federal Award Programs

We have audited the consolidated financial statements of C-BARC, The Arc of Caddo-Bossier as of and for the year ended June 30, 1996, and have issued our report thereon dated September 13, 1996. We have also audited the Arc's compliance with requirements applicable to major federal award programs, and have issued our report thereon dated September 13, 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 Office of Management and Budget (OMB) 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 consolidated financial statements are free of material misstatement and about whether C-BARC, The Arc of Caddo-Bossier complied with laws and regulations, noncompliance with which would be material to a major federal award programs.

In planning and performing our audit for the year ended June 30, 1996, we considered the Arc's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Arc's consolidated 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 policies and procedures relevant to our audit of the consolidated financial statements in a separate report dated September 13, 1996.

The management of C-BARC, The Arc of Caddo-Bossier 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, 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

C-BARC, THE ARC OF CADDO-BOSSIER

SCHEDULE OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 1996

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Revenue</u>	<u>Expenditures</u>
<u>Major Programs</u>			
U.S. Department of Education: Passed through State of Louisiana, Department of Education Part H Family Service Coordination	84.181	212,836	212,836
<u>Nonmajor Programs</u>			
U.S. Department of Agriculture: Passed through State of Louisiana, Department of Education Childrens Food Program	10.558	<u>30,312</u>	<u>30,312</u>
Total		<u>243,148</u>	<u>243,148</u>

The Board of Directors
C-BARC, The Arc of Caddo-Bossier
September 13, 1996
Page 2

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: applicable general requirements, specific requirements, and claims for advances and reimbursements. For all of the internal control structure categories listed above, 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, C-BARC, The Arc of Caddo-Bossier expended 87.5% of its total federal awards under major federal award program.

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 that are applicable to the aforementioned major federal award program, which is 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 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 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 operations that we consider to be material weaknesses as defined above.

This report is intended for the information of management, the board of directors, and the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Heard, McElroy + Ventral, LLP

C-BARC, THE ARC OF CADDO-BOSSIER
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1996

	<u>General Fund</u>	
	<u>Unrestricted</u>	<u>Designated</u>
<u>Public support and revenue:</u>		
<u>Public support:</u>		
State of Louisiana	2,181,023	-
Title XIX	5,000,158	-
City of Shreveport	-	-
United Way	111,463	-
Contributions	1,115	7,242
Service fees	233,609	-
Client services	18,448	-
Other public support	<u>35,017</u>	<u>-</u>
Total public support	7,580,833	7,242
<u>Revenue:</u>		
Sales revenue	1,599,100	34,053
Membership dues	8,195	-
Investment income	175,142	3,002
Other income	<u>8,129</u>	<u>-</u>
Total revenue	1,790,566	37,055
 Total public support and revenue	 9,371,399	 44,297
 <u>Expenses:</u>		
Adult services	2,666,526	20,891
Children services	962,357	3,281
Case management services	477,864	-
Residential services	4,331,628	-
Management and general	<u>430,456</u>	<u>10,953</u>
Total expenses	8,868,831	35,125
 <u>Change in net assets</u>	 502,568	 9,172
 <u>Fund balance-beginning of year</u>	 2,528,598	 641,675
Transfers	<u>(184,490)</u>	<u>100,000</u>
	2,344,108	741,675
 <u>Net assets-end of year</u>	 <u>2,846,676</u>	 <u>750,847</u>

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

C-BARC, THE ARC OF CADDO-BOSSIER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT JUNE 30, 1996

<u>ASSETS</u>	<u>General Fund</u>	
	<u>Unrestricted</u>	<u>Designated</u>
Cash-Note 3	598,738	495,342
Investments-Note 9	1,475,646	255,505
Accounts receivable-Note 4	1,192,757	-
Prepaid expenses and other assets	20,829	-
Inventory	4,303	-
Land, building and equipment-Note 5	-	-
<u>Less-accumulated depreciation</u>	<u>-</u>	<u>-</u>
Total assets	<u>3,292,273</u>	<u>750,847</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	2,431	-
Payroll liabilities	426,989	-
Accrued expenses	<u>16,177</u>	<u>-</u>
Total liabilities	445,597	-
<u>Net assets-Note 3</u>	<u>2,846,676</u>	<u>750,847</u>
Total liabilities and net assets	<u>3,292,273</u>	<u>750,847</u>

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

HEARD, McELROY & VESTAL, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS
MEMBER AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

GILBERT R. SHANLEY, JR., C. P. A., A. P. C.
C. CODY WHITE, JR., C. P. A., A. P. C.
J. PETER GAFFNEY, C. P. A., A. P. C.
SPENCER BERNARD, JR., C. P. A.
WILLIAM L. HIGHTOWER, C. P. A.
H. Q. GAHAGAN, JR., C. P. A., A. P. C.
GERALD W. HEDGCOCK, JR., C. P. A., A. P. C.
TIM B. NIELSEN, C. P. A.
JOHN W. DEAN, C. P. A., A. P. C.
MARK D. ELDREDGE, C. P. A.
MICHAEL E. GLEASON, C. P. A.

COMMERCIAL NATIONAL TOWER
15TH FLOOR
333 TEXAS STREET
P. O. BOX 1607
SHREVEPORT, LA 71165
TELEPHONE (318) 429-1525
FACSIMILE (318) 429-2070

GREENACRES OFFICE PARK
2285 BENTON ROAD
SUITE B-100
BOSSIER CITY, LA 71111
TELEPHONE (318) 674-3560
FACSIMILE (318) 742-9292

O. PATRICK AVINGER, JR., C. P. A. (RET.)
WILLIAM E. ALLEN, C. P. A. (RET.)

S. BERTON HEARD, C. P. A. (1986)
EDWARD N. ATKINSON, C. P. A. (1981)
CHARLES E. VESTAL, C. P. A. (1990)

September 13, 1996

The Board of Directors
C-BARC, The Arc of Caddo-Bossier
Shreveport, Louisiana

Report on the Internal Control Structure in Accordance With Government Auditing Standards

We have audited the consolidated financial statements of C-BARC, The Arc of Caddo-Bossier as of and for the year ended June 30, 1996, and have issued our report thereon dated September 13, 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 consolidated financial statements are free of material misstatement.

The management of C-BARC, The Arc of Caddo-Bossier 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 consolidated financial statements of C-BARC, The Arc of Caddo-Bossier, for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated 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 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 consolidated