

THE ARC OF MOREHOUSE

JUNE 30, 1997

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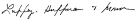
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**Board of Directors
The ARC of Warehouses**

In accordance with Government Auditing Standards, we have also issued a report dated October 3, 1997 on our consideration of the Association's internal control structure and a report dated October 3, 1997 on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as Supplemental Schedules in the accompanying Index is presented for purposes of additional analysis and is not a required part of the financial statements of the Association. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



October 3, 1997

THE ARC OF MOREHOUSE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 1997

ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 55,130	\$ 0	\$ 55,130
Certificates of Deposit	172,169	0	172,169
Accounts Receivable	123,429	0	123,429
Interest Receivable	1,698	0	1,698
Fixed Assets	674,577	18,848	713,425
Accumulated Depreciation	(242,172)	(8,475)	(250,647)
Other Assets	1,031	0	1,031
TOTAL ASSETS	<u>\$ 686,792</u>	<u>\$ 10,373</u>	<u>\$ 719,165</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts Payable	\$ 23,375	\$ 0	\$ 23,375
Provider Fee Payable	3,282	0	3,282
Accrued Liabilities	47,133	0	47,133
Total Liabilities	<u>73,790</u>	<u>0</u>	<u>73,919</u>
Net Assets			
Unrestricted net assets	612,882	0	612,882
Temporarily restricted net assets	0	32,373	32,373
Total Net Assets	<u>612,882</u>	<u>32,373</u>	<u>645,255</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 686,792</u>	<u>\$ 32,373</u>	<u>\$ 719,165</u>

The accompanying notes are an integral part of this financial statement.

**THE ARC OF MOREHOUSE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1997**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Intergovernmental Revenue	\$ 1,089,442	\$ 27,194	\$ 1,116,636
Program Receipts	343,234	0	343,234
United Fund	13,760	0	13,760
Donations	2,388	0	2,388
Memberships	3,255	0	3,255
Interest	9,418	0	9,418
Miscellaneous	22,061	0	22,061
Total	<u>1,513,658</u>	<u>27,194</u>	<u>1,540,852</u>
Net Assets Released From Time Restrictions	<u>113,624</u>	<u>11,624</u>	<u>0</u>
Total Support and Revenues	<u>1,770,842</u>	<u>38,818</u>	<u>1,809,660</u>
Expenses			
Program Services			
Day Program	288,488	0	288,488
Carenet Services	68,229	0	68,229
Supported Living	283,094	0	283,094
East Morehouse Community Home	238,941	0	238,941
Cooper-Road Community Home	274,683	0	274,683
Early Intervention	7,837	0	7,837
Total of Program Services	<u>1,158,302</u>	<u>0</u>	<u>1,158,302</u>
Supporting Services			
General and Administrative	<u>58,156</u>	<u>6,475</u>	<u>64,631</u>
Total Expenses	<u>1,216,458</u>	<u>6,475</u>	<u>1,222,933</u>
Change in net assets	199,484	32,343	191,897
Net Assets at Beginning of Year	<u>453,387</u>	<u>0</u>	<u>453,387</u>
NET ASSETS AT END OF YEAR	<u>\$ 652,871</u>	<u>\$ 32,343</u>	<u>\$ 685,214</u>

The accompanying notes are an integral part of this financial statement.

THE ABC OF MOREHOUSE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 1997

	Program Services			
	General and Administrative	Adult Habilitation (Day) Program	Contract Services	Supported Living
Consultants	\$ 0	\$ 2,621	\$ 0	\$ 4,234
Data Processing	0	1,895	0	1,826
Dues and Subscriptions	1,035	1,914	0	1,236
Food and Client Meals	887	2,689	1,668	6,587
Insurance	606	21,238	2,203	8,284
Interest	250	0	0	0
Maintenance	60	21,644	85	3,986
Miscellaneous	7,960	484	125	1,056
Office	42	1,298	0	1,084
Payroll Taxes and Fringe Benefits	0	22,229	480	23,587
Postage	3	288	0	380
Professional Fees	3	3,160	0	2,899
Public Awareness	0	915	0	880
Rent	0	0	0	0
Salaries	0	184,286	57,086	228,325
Supplies	187	7,189	2,872	513
Taxes and Licenses	188	794	0	553
Telephone	0	2,884	0	1,327
Travel and Conventions	0	2,508	0	4,194
Utilities	18	2,596	0	1,600
Vehicle Lease	0	0	0	0
Total	<u>11,308</u>	<u>338,488</u>	<u>69,239</u>	<u>283,654</u>
Depreciation	<u>52,221</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL FUNCTIONAL EXPENSE	\$ <u>63,529</u>	\$ <u>338,488</u>	\$ <u>69,239</u>	\$ <u>283,654</u>

The accompanying notes are an integral part of this financial statement.

<u>Mathematical Services</u>			
<u>East</u>	<u>Connecticut</u>	<u>Early</u>	
<u>Mechanic</u>	<u>Real</u>	<u>Interpretation</u>	<u>Total</u>
\$ 2,811	\$ 16,408	\$ 4,158	\$ 21,406
1,828	1,828	18	4,225
862	862	38	3,765
53,680	92,797	931	158,960
8,889	8,273	218	49,881
0	82	0	712
12,689	8,544	15	56,873
0	597	8	18,286
1,000	998	17	4,448
12,734	5,793	75	82,508
597	597	15	1,489
2,783	3,536	116	12,489
894	894	18	3,918
0	8,363	0	8,363
112,108	118,597	717	695,781
1,113	2,129	282	18,877
882	688	190	3,143
1,858	1,797	256	8,113
1,647	1,189	321	9,999
6,138	4,898	421	18,154
438	438	0	878
<u>238,941</u>	<u>274,603</u>	<u>7,837</u>	<u>1,358,507</u>
0	0	0	53,331
<u>\$ 238,941</u>	<u>\$ 274,603</u>	<u>\$ 7,837</u>	<u>\$ 1,315,176</u>

**THE ARC OF MOREHOUSE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 1997**

	<u>1997</u>
Cash Flows From Operating Activities	
Increase in net assets	\$ 191,857
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	53,311
Forgiveness of debt	(13,000)
Gain on sale of assets	(447)
Yen grant	(27,040)
Changes in assets and liabilities:	
Accounts receivable	(16,507)
Prepaid expenses	(1,200)
Accounts payable	6,938
Provider fee payable	200
Accrued liabilities	19,121
Net cash provided by operating activities	<u>205,921</u>
Cash Flows From Investing Activities	
Certificates of deposit	(10,500)
Proceeds from sale of Parkwood Home	15,000
Payments for property and equipment	(133,400)
Net cash used by investing activities	<u>(128,778)</u>
Cash Flows From Financing Activities	
Payments on notes payable	(102,100)
Net cash used by financing activities	<u>(102,100)</u>
Net decrease in cash and cash equivalents	(27,165)
Beginning cash and cash equivalents	<u>82,295</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 55,130</u>

The accompanying notes are an integral part of this financial statement.

THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1997

Note 1 - Description of Organization

The ARC of Morehouse is a nonprofit voluntary health and welfare association chartered in 1958 to promote the general welfare of mentally retarded persons residing in Morehouse Parish.

Note 2 - Summary of Significant Accounting Policies

A. Financial Statement Presentation

In fiscal year ending June 30, 1997, the Association adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Associations." 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 the Statement, 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, 1997.

The Association also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made," in fiscal year ending June 30, 1997. 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. In addition the Association has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets.

B. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

C. Cash and Cash Equivalents

The Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**THE ABC OF HOREHOUSE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1997**

D. Plant Assets

Plant assets are recorded at historical cost. Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and the gain or loss is included in operations.

Depreciation of buildings and equipment is computed by the straight line method over the following estimated service lives:

	Years
Buildings and Improvements	20 - 30
Furniture and Equipment	3 - 10
Vehicles	5

E. Support and Revenue

Revenue received under government grant programs are recorded as revenues when the Association has incurred expenditures in compliance with the specific restrictions. Donations are considered to be available for unrestricted use unless specifically restricted by the donor.

F. Functional Expenses

Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical basis.

G. Programs

The Association's principal programs and primary funding sources are:

Adult Habilitation (Day Program) - The Adult Habilitation funds are used to train clients in vocational and recreational activities and supportive services. The supported employment program was combined with the Day Program in the current year.

Contract Services - Contract Services income is derived from services by clients which include judicial and other contracts.

**THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1997**

Supported Living - Supported Living income is received from the Louisiana Department of Health and Hospitals. This program, similar to the Community Homes, helps the individual clients become more independent by providing support and training in their residences within the community.

Community Homes - Community Homes' income is received from the Louisiana Department of Health and Hospitals. Clients pay a pro-rata share of the costs based on their income. This program provides clients with a home environment within the community and helps them become more independent citizens.

Early Intervention - Early Intervention's income is received from the Louisiana Department of Health and Hospitals and the Department of Education. This program provides training and therapeutic services to disabled infants.

M. Tax-Exempt Status

The Association is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for Federal income taxes. Contributions to the Association are tax deductible within the limitations prescribed by the Code.

N. 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 these estimates.

Note 1 - Fixed Assets

Fixed assets are recorded at cost when cost can be determined, and at estimated cost when cost is unknown. All donated assets have been recorded at fair value on the date of donation.

**THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1997**

Fixed assets consisted of the following at June 30, 1997:

	Unrestricted	Temporarily Restricted
Buildings	\$ 387,524	
Equipment	319,207	
Vehicles	192,564	\$ 18,848
Improvements	37,463	
Total	656,758	18,848
Less Accumulated Depreciation	(342,172)	(6,475)
Net Depreciable Assets	314,586	12,373
Land	17,820	0
Total Fixed Assets	\$ 332,406	\$ 12,373

Note 4 - Notes Payable

At June 30, 1997 the Association had extinguished all of its debt. Interest expense paid for the year ended June 30, 1997, was \$112.

Note 5 - Lease Commitments

The Association purchased its community center that had been leased in previous years during fiscal year ending June 30, 1997. Therefore no lease commitments existed as of June 30, 1997.

Note 6 - Related Party Transactions

The Association purchases food and supplies from a business owned by a Board member. For the year ended June 30, 1997, the Association incurred charges of \$13,349 for food bought from that business. The Association also incurred medical related charges at a Board Member owned business in the amount of \$173.

Note 7 - Significant Concentrations of Credit Risk

The Association's cash and cash investments are in excess of Federal deposit insurance limits at June 30, 1997. The bank balances of these funds totaled \$240,790 at year-end, of which \$4,601 was not insured or collateralized.

SUPPLEMENTAL SCHEDULES

THE ARC OF MOREHOUSE
COMBINING STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1997

	<u>General and Administrative</u>	<u>Adult Habilitation (Direct Program)</u>	<u>Contract Services</u>	<u>Supported Living</u>
ASSETS				
Cash and Cash Equivalents	\$ 34,820	\$ 0	\$ 0	\$ 0
Certificates of Deposit	171,050	0	0	0
Accounts Receivable	0	21,325	13,204	30,644
Interest Receivable	1,898	0	0	0
Due From Other Funds	325,306	308,658	0	180,700
Other Assets	0	710	108	200
TOTAL ASSETS	<u>\$ 453,824</u>	<u>\$ 309,513</u>	<u>\$ 13,304</u>	<u>\$ 223,144</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts Payable	\$ 1,444	\$ 1,938	\$ 1,158	\$ 1,407
Provider Fee Payable	0	0	0	0
Accrued Liabilities	7,811	10,215	1,897	13,819
Due To Other Funds	385,690	161,888	16,218	79,535
Total Current Liabilities	<u>395,145</u>	<u>174,141</u>	<u>20,273</u>	<u>94,761</u>
Unrestricted Net Assets	<u>58,679</u>	<u>178,933</u>	<u>17,111</u>	<u>128,343</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 453,824</u>	<u>\$ 353,074</u>	<u>\$ 37,384</u>	<u>\$ 223,104</u>

SCHEDULE 1

Residential Services			
East Manufacture	Coconut Road	Early Intervention	Total
\$ 378	\$ 201	\$ 0	\$ 579
0	0	0	172,698
24,900	28,620	3,828	123,428
0	0	0	1,898
16,115	0	17,894	780,264
<u>383</u>	<u>289</u>	<u>12</u>	<u>1,830</u>
<u>\$ 41,386</u>	<u>\$ 39,180</u>	<u>\$ 21,812</u>	<u>\$ 1,134,651</u>
\$ 714	\$ 15,958	\$ 2,888	\$ 29,558
1,257	1,623	0	2,882
6,357	6,293	49	45,158
<u>86,208</u>	<u>87,458</u>	<u>2,446</u>	<u>788,646</u>
71,357	89,678	2,675	854,534
<u>(33,240)</u>	<u>(58,660)</u>	<u>16,220</u>	<u>288,071</u>
<u>\$ 41,588</u>	<u>\$ 30,763</u>	<u>\$ 22,032</u>	<u>\$ 1,138,651</u>

THE ARC OF MOREHOUSE
COMBINE STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1997

	General and Administrative	Program Services		
		Adult Habituation (Day Program)	Outreach Services	Supported Living
Revenue and Other Support				
Intergovernmental Revenue	\$ 0	\$ 211,020	\$ 0	\$ 114,770
Program Receipts	0	130,641	74,114	0
United Fund	250	0	11,448	0
Donations	2,138	0	0	0
Memberships	2,250	0	0	0
Rent Income	0	0	0	0
Interest	9,415	0	0	0
Other Revenue	3,007	1,170	3,908	0
Total Revenue and Other Support	8,050	342,841	91,468	114,770
Expenses				
Program Services				
Day Program	0	288,488	0	0
Outreach Services	0	0	65,239	0
Supported Employment	0	0	0	0
Supported Living	0	0	0	281,094
East Morehouse Community Home	0	0	0	0
Crosscut Road Community Home	0	0	0	0
Early Interventions	0	0	0	0
Total Program Services	0	288,488	65,239	281,094
Supporting Services				
Local Fund	11,200	0	0	0
Total Supporting Services	11,200	0	0	0
Total Expenses	11,200	288,488	65,239	281,094
Change in net assets	6,750	57,153	26,229	33,676
Net Assets at Beginning of Year	14,071	191,746	(34,607)	99,662
Transfers from Unavailable to				
Temporarily Restricted		(11,000)		
Transfer In	41,000	0	4,800	3,800
Transfer Out	(18,500)	(60,800)	0	(5,300)
Total Transfers	22,500	(71,800)	4,800	(1,500)
NET ASSETS AT END OF YEAR	\$ 20,821	\$ 220,199	\$ (29,807)	\$ 131,838

ACTIVITIES 3

Residential Services			
Fixed	Contract	Early	
Manufactures	Fixed	Interventions	Total
\$ 257,915	\$ 299,501	\$ 5,129	\$ 1,060,413
51,991	6,084	0	343,254
0	0	0	13,708
0	0	258	2,188
0	0	0	3,218
0	0	0	0
0	0	0	9,411
17,098	200	0	23,615
<u>302,906</u>	<u>304,785</u>	<u>3,175</u>	<u>1,383,631</u>
0	0	0	288,488
0	0	0	69,279
0	0	0	0
0	0	0	283,894
280,960	0	0	268,941
0	279,684	0	279,683
0	0	5,837	7,837
<u>280,960</u>	<u>279,684</u>	<u>5,837</u>	<u>1,150,283</u>
0	0	0	11,309
<u>0</u>	<u>0</u>	<u>0</u>	<u>11,309</u>
<u>280,961</u>	<u>279,683</u>	<u>7,837</u>	<u>1,160,292</u>
71,745	80,182	(2,482)	211,548
(189,834)	152	31,504	681,588
			(11,659)
12,678	8,386	79	68,971
<u>(12,688)</u>	<u>(91,504)</u>	<u>(4,873)</u>	<u>(281,479)</u>
<u>0</u>	<u>(83,118)</u>	<u>(4,804)</u>	<u>(216,507)</u>
\$ (11,749)	\$ (58,654)	\$ (6,112)	\$ (288,877)

**THE ARC OF MICHIGAN
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1997**

Federal Grants/Pass-Through Contract/Program Title	C.F.R.A. Number	Federal Award Amount	Federal Financial Assistance Current Year		Total Federal Revenue to June 30, 1997
			Revenue Recognized	Expenditures	
Flow-Through Programs					
Department of Education					
Office of Special Educational Services					
Early Intervention Program	94-180	\$ 21,000	\$ 3,200	\$ 3,200	\$ 5,000
U. S. Department of Transportation					
Louisiana Department of Transportation and Development					
Elderly and Disabled Grants Program	28-500	50,000	50,000 *	50,000	50,000
TOTAL FEDERAL AWARDS		\$ 71,000	\$ 50,000	\$ 50,000	\$ 105,000

* Capital - Shows as Temporarily Restricted on the Statement of Activities under Intergovernmental Revenue

**THE ABC OF BARRERHOUSE
SCHEDULE OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 1997**

Category / Program / Program Title Location: Department of Health and Welfare	Grant Assistant I.R. Number	Wife Award Amount	Spouse Received	Expenses	Total State Reimburse June 30, 1997
Receipts					
Office for Citizens With Developmental Disabilities Early Intervention Program	00000	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
Office for Citizens With Developmental Disabilities Supported Living Program	00000	1,500	1,500	1,500	1,500
Office for Citizens With Developmental Disabilities Adult Education (Day) Program	00000	<u>11,604</u>	<u>11,604</u>	<u>11,604</u>	<u>11,604</u>
TOTAL STATE AWARDS		<u>\$ 34,604</u>	<u>\$ 34,604</u>	<u>\$ 34,604</u>	<u>\$ 34,604</u>

See Notes to Schedule of Federal and State Awards

**THE ARC OF MIDDLESEX
NOTES TO SCHEDULES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 1997**

General

The schedules of Federal and State Awards present all Federal and state awards programs of The ARC of Middlesex (the Association).

Basis of Accounting

The Schedules of Federal and State Awards are prepared on the accrual basis of accounting, which is discussed in Note 1 to the Association's financial statements.

Relationship to the Association's Financial Statements

The following table is presented to reconcile the Federal and state awards received under various grant programs to the Association's financial statements.

	<u>Federal Awards</u>	<u>State Awards</u>	<u>Fees For Services</u>	<u>Total Intergovernmental Revenue</u>
Adult Habilitation (Day) Program	\$ 0	\$ 131,024	\$ 82,031	\$ 213,055
Supported Living	0	3,323	389,273	392,596
Five Middlesex Community Hubs	0	0	287,589	287,589
Crossroads Community Home	0	0	298,703	298,703
Early Intervention	3,238	3,928	0	7,166
TOTALS	\$ 3,238	\$ 138,872	\$ 967,379	\$ 1,089,442

REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS



**Luffey
Huffman
& Monroe**

CERTIFIED PUBLIC ACCOUNTANTS

John J. Luffey, CPA, CFP
Richard L. Huffman, CPA
L. Brockmeyer, CPA
L. P. Williams, CPA
Cynthia A. Coyle, CPA

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

**Board of Directors
The ARC of Monroehouse
Bastrop, Louisiana**

We have audited the financial statements of The ARC of Monroehouse (a nonprofit organization - the Association), as of and for the year ended June 30, 1997, and have issued our report thereon dated October 3, 1997.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in Government Auditing Standards issued by the Comptroller General of the United States and the Louisiana Governmental Audit Guide published by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Management of the Association 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 the Board'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 subjected 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.

**Board of Directors
The ARC of Morehouse**

In planning and performing our audit of the financial statements of the Association for the year ended June 30, 1997, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Directors and management of the Association, agencies granting funds to the Association and the Legislative Auditor of the state of Louisiana. However, this report is a matter of public record and its distribution is not limited.



October 3, 1997



Luffey
Huffman
& Monroe

CERTIFIED PUBLIC ACCOUNTANTS

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

**Board of Directors
The ARC of Monroshire
Bastrop, Louisiana**

We have audited the financial statements of The ARC of Monroshire (a nonprofit organization - the Association), as of and for the year ended June 30, 1997, and have issued our report thereon dated October 3, 1997.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in Government Auditing Standards issued by the Comptroller General of the United States and the Louisiana Governmental Audit Guide published by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. 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 Association 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 Association's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Board of Directors
The ARC of Mississippi**

This report is intended for the information of the Board of Directors and management of the Association, other agencies granting funds to the Association and the Legislative Auditor of the state of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Ruffin Stephens & Assoc.

October 3, 1997

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State Treasury
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THE ARC OF MOREHOUSE

Financial Statements

For the Year Ended June 30, 1992. This report is a public document. A copy of the report has been distributed to the media, as requested, 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: MR 07 1992

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