

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CHANGES IN FIXED ASSETS

The schedule below summarizes the results of the changes in fixed assets for the organization:

	Balance 12/31/88	ADDITIONS	DEPRECIATION	Balance 12/31/89
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Buildings	495,860	1,400	-	497,260
Furniture and equipment	324,870	4,800	-	329,670
Vehicles	38,700	-	-	38,700
Leasehold improvements	21,000	-	-	21,000
	\$ 885,430	\$ 6,200	\$ -	\$ 891,630
Accumulated depreciation:				
Land	\$ -	\$ -	\$ -	\$ -
Buildings	179,600	11,200	-	190,800
Furniture and equipment	262,870	4,800	-	267,670
Vehicles	4,400	5,600	-	10,000
Leasehold improvements	28,000	200	-	28,200
	\$ 498,870	\$ 21,800	\$ -	\$ 520,670
				\$ 370,960

Property acquired with federal and community development grants is considered owned by the organization while used in the program for which it was purchased or in other future authorized programs; however, the United States and other grantor agencies have reversionary interests in certain property. The disposition as well as the ownership of any proceeds therefrom is subject to government regulations. The total carrying value of property and equipment in which the United States and other grantor agencies have reversionary interest is \$28,810 at June 30, 1989.

NOTE 5. PENSIONED COMMITMENTS

All employees of the Program are members of the Federal Social Security System. The Program contributes 7.6% of gross salaries up to appropriate statutory limits to FICA SYSTEM. The Federal Social Security System administers the plan and pays benefits.

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EDUCATIONAL AND DISTRICT BOARD, INC.
FINANCIAL AND COMPLIANCE REPORT
JUNE 30, 1988

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 JAN 08 1989

BUDGETARY AND TREATMENT COUNCIL, INC.

June 30, 1996

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CERTIFIED PUBLIC ACCOUNTANTS

100 ROCKEFELLER CENTER
LAWRENCEVILLE, GEORGIA
30046

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Educational and Treatment Council, Inc.
Lake Charles, Louisiana

We have audited the accompanying statement of financial position of Educational and Treatment Council, Inc. (a nonprofit organization) as of June 30, 1998, and the related statements of activities and functional expenses and changes in net assets for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our 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 Nonprofit Organizations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the accounts 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 Educational and Treatment Council, Inc. as of June 30, 1998, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 19, 1998, on our consideration of Educational and Treatment Council, Inc.'s internal control structure and reports dated September 28, 1998, on its compliance with laws and regulations.

McElroy, Quinn & Bunch

Lake Charles, Louisiana

September 28, 1998

<u>Total</u>	
<u>1990</u>	<u>1989</u>
\$ 436,340	\$ 518,010
38,137	68,477
31,341	32,183
-	116,000
<u>348,824</u>	<u>734,670</u>
<u>\$ 826,617</u>	<u>\$ 773,593</u>

\$ 1,388	\$ 13,008
28,000	24,982
"	13,687
"	16,461
"	75,000
<u>8,446</u>	<u>8,443</u>
<u>38,000</u>	<u>100,152</u>

712,478 608,888

15,228 -
788 361

<u>18,328</u>	<u>11,228</u>
<u>788,187</u>	<u>621,448</u>

\$ 826,617 \$ 773,593

<u>Total</u>	
<u>1998</u>	<u>1999</u>
\$ 38,322	\$ 38,961
578,812	188,342
248,588	448,578
<u>428,828</u>	<u>138,822</u>
<u>1,001,380</u>	<u>798,524</u>
38,472	7,888
2,310	2,170
2,888	28,818
<u>928</u>	<u>152</u>
<u>21,812</u>	<u>40,528</u>
3,001,378	822,882
<u>3,051,378</u>	<u>822,882</u>
724,122	822,878
394,882	328,200
<u>828</u>	<u>1,122</u>
<u>822,882</u>	<u>328,200</u>
271,818	64,828
<u>822,882</u>	<u>328,200</u>
<u>1,795,352</u>	<u>621,828</u>

REGISTRATION AND TREATMENT COUNCIL, INC.

STATEMENT OF CASH FLOWS
 Year Ended June 30, 1990
 WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 1989

	<u>1990</u>	<u>1989</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from service recipients	\$ 5,408	\$ 18,280
Cash received from contributions	28,323	18,881
Cash collected on grants receivable	138,080	18,478
Cash collected (federal) grants and contracts	518,555	130,770
Cash collected on state contracts	207,283	448,078
Cash collected from tax levy	418,808	138,421
Interest received	14,473	7,688
Miscellaneous receipts	928	157
Interest paid	(3,185)	(8,333)
Cash paid to employees and suppliers	(218,258)	(208,382)
Net cash provided by operating activities	<u>383,822</u>	<u>18,882</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase furniture and equipment	(18,323)	(48,053)
CASH FLOW FROM FINANCING ACTIVITIES		
Investments in property and equipment	(13,483)	13,483
Payments on long term debt	(18,882)	(18,882)
Net cash (used) in financing activities	<u>(32,365)</u>	<u>(33,452)</u>
Net increase (decrease) in cash and cash equivalents	318,152	(53,023)
Cash and cash equivalents:		
Beginning	<u>218,873</u>	<u>270,438</u>
Ending	<u>\$ 537,025</u>	<u>\$ 217,415</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED) IN OPERATING ACTIVITIES		
Change in net assets	\$ 271,838	\$ 64,338
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	31,137	44,400
Loss on disposal of property and equipment	-	232
(Increase) decrease in accounts and interest receivable	31,748	183,343
(Increase) decrease in prepaid expenses	1,824	(8,487)
(Increase) decrease in grants receivable	115,080	189,521
Decrease in accounts payable	(8,423)	(8,082)
Increase in accrued expenses	4,354	4,423
Increase (decrease) in deferred revenue	(73,858)	(68,838)
Net cash provided by operating activities	<u>\$ 383,822</u>	<u>\$ 18,882</u>

See accompanying notes to financial statements.

	TOTAL	
	1974	1973
0	\$ 604,180	\$ 604,488
"	81,500	81,500
"	24,190	8,800
"	708	715
"	-	10
"	1,800	1,100
"	87,175	88,887
"	170	110
"	1,580	1,787
"	100	1,040
"	20,574	27,100
600	170	4,100
"	1,800	8,800
"	1,500	1,100
"	4,700	1,700
"	4,800	4,870
"	4,100	1,000
"	800	1,700
"	200	2,200
"	4,500	4,000
"	500	1,070
"	400	400
"	1,100	1,100
"	800	1,000
"	21,100	8,100
"	8,000	4,000
"	7,100	8,800
"	800	4,800
"	-	4,800
"	1,400	1,400
"	1,100	8,100
"	-	10,100
"	4,100	1,100
"	4,100	4,200
"	1,000	1,000
"	87,100	88,800
"	1,100	1,100
"	4,800	1,100
"	4,100	4,100
"	1,000	4,000
"	11,100	11,100
"	-	100
"	1,100	-
"	1,000	1,100
"	170	11,100
"	1,100	1,000
"	10,100	10,100
"	1,100	1,000
600	84,190	704,110
"	21,120	88,800
0	\$ 1,051,180	\$ 1,051,128

NOTES TO FINANCIAL STATEMENTS

Property and equipment:

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation of property and equipment is computed principally by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building	20
Equipment, furniture and fixtures	5-10
Trucks	5
Leasehold improvements	10

Advertising costs:

Education Treatment Council, Inc. follows the policy of charging the costs of advertising to expense as incurred. For the year ended June 30, 1988, advertising expense was \$784.

Donated assets and services:

Materials, equipment and other assets received as donations are recorded and reflected in the accompanying financial statements at their estimated fair market values at the date they are received. No amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of time to the Organization's program services and to its fund-raising activities.

Functional expenses:

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7. JUVENILE SERVICES TAX

On May 5, 1984, the property owners of Calcasieu Parish passed the Juvenile Detention, Probation and Services Tax. The Juvenile Services tax was approved by voters for 2.4 mills. The Calcasieu Parish Police Jury shall pay as much as ad valorem taxes are received by the Calcasieu Parish Police Jury as are equal to the stated contract amount. For and in consideration of the payment of the foregoing lease sum, Education and Treatment Council, Inc. shall provide juvenile services without further cost to the Court or the Calcasieu Parish Police Jury for emergency shelter to children as described in the purpose above.

Accounts paid under the contract are:

1980	<u>2,428,838</u>
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NOTE 8. Private Placements

Residents of the Emergency Shelter for Children may be referred by private agencies in addition to residences eligible for the state and Federal grants and those referred by the courts. Counselors, attorneys, insurance companies and other concerned citizens may suggest placements of children they feel are in at-risk situations. The responsible parties are billed for these placements based on the number of days the child stays. Revenues from private placements for the years ended June 30, 1984 was \$1,810.

NOTE 9. Support From Governmental Units

The Organization receives a substantial amount of its support from the federal government, the state of Louisiana and local governments in Calcasieu Parish. A significant reduction in the level of this support, if this were to occur, could have a significant effect on the Organization's programs and activities.

NOTE 10. Concentration of Credit Risk

Education Treatment Council, Inc. maintains a portion of its cash balances in several financial institutions located in the City of Lake Charles. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. In addition, accounts are maintained with MARSH LLOYD FIERCE PIERCE & SMITH, Inc. and R. E. EDWARDS and SON, Inc. investment firms. Time deposits purchased through these investment accounts may be insured by the FDIC, FSLIC or private insurance. Balances at June 30, 1984 held at these investment firms amounted to \$448,845.

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
NATIONAL ASSOCIATION
OF CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 207
LAKE CHARLES, LOUISIANA
70601-0207

BRIDGES STREET
TRUST BUILDING, SUITE 200
LAKE CHARLES, LOUISIANA

INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL TAXES

To the Board of Directors
Educational and Treatment Council, Inc.
Lake Charles, Louisiana

We have audited the financial statements of the Educational and Treatment Council, Inc. for the year ended June 30, 1979, and have issued our report thereon dated September 12, 1979. These financial statements are the responsibility of the Educational and Treatment Council, Inc. management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Educational and Treatment Council, Inc. taken as a whole. The accompanying Schedule of Federal Taxes 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.

McElroy, Quinn & Burch
Lake Charles, Louisiana
September 12, 1979

McELROY, QUINN & BURCH

LA PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 909
LAFAYETTE, LOUISIANA
70501
MEMBER
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO FEDERAL FEDERAL AWARD PROGRAM TRANSACTIONS

TO the Board of Directors
Educational and Treatment Council, Inc.
Lake Charles, Louisiana

We have audited the financial statements of Educational and Treatment Council, Inc. as of and for the year ended June 30, 1986, and have issued our report thereon dated September 18, 1986.

In connection with our audit of the financial statements of Educational and Treatment Council, Inc. and with our consideration of the Organization's internal control structure used to administer Federal award programs, as required by Office of Management and Budget Circular A-133, Audit of Institutions of Higher Education and Other Nonprofit Organizations, we selected certain transactions applicable to certain major Federal awards programs for the year ended June 30, 1986.

As required by OMB Circular A-133, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowable; eligibility; and attendance/participation that are applicable to these transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Organization's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of these 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 Educational and Treatment Council, Inc. had not complied, in all material respects, with these requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with the requirements referred to in the third paragraph that we have communicated to the management of Educational and Treatment Council, Inc. in a separate letter dated September 18, 1986.

Educational and Treatment Council, Inc.
Page 3

1. During our examination of disbursements, one sample reference check was noted involving a time and material tag, showing an employee's disbursement BY 01-49. It is suggested that similar machine tags be attached to prove the totals and aid in detecting simple errors.
2. In reviewing thirty disbursements, sixteen of our sample required the assistance of Educational and Treatment Council, Inc. staff in locating the invoice due to the organization's system of attempting to file invoices by general ledger number. This was probably caused by the invoices being placed in numerous general ledger accounts. There was no method of clearing, from the monthly general ledger, which account number was used for filing the invoice disbursement.

Regardless of the filing method used, all invoices which are allocated among various accounts should have information regarding the allocation. This should include the accounts to which passed and a sum of the allocation which agrees to the invoice total. It is our suggestion that invoices be filed by vendor and that the breakdown of amounts to which the invoice is posted be noted on the invoice. The process and design of the filing system should be to make future location and retrieval of documents and information easy.

4. A general suggestion to enhance revenue files which would enhance the flow of information regarding grant receipts and payments, is that a copy of the deposit slip be included with each document representing the receipt of grant proceeds. These documents are currently maintained in a file for each grant and this would provide additional documentation within that file.

These conditions were considered in determining the release, dated and extent of the audit team to be applied to our audit of the June 30, 1984 financial statements and this report does not affect our report on these financial statements dated September 18, 1984.

This report is intended solely for the use of management and should not be used for any other purpose. We are available to discuss any questions you may have concerning the above items.

Malloy, Irish & Birch

John Pearson, Chairman
September 18, 1984

Educational and Treatment Council, Inc.
Page 2

The following recommendations are for improvements of conditions not considered material weaknesses; however, implementation of these recommendations would improve accounting and operating procedures or controls.

PAYROLL RECORDS

1. During the audit, it was noted that time cards did not consistently contain an ending pay period date. Time cards should have the pay period indicated on each card in the event the cards are mixed up or sorted by a different statistic which is not grouped by pay period. We suggest including the ending date of the pay period on each time card.
2. It was also noted that the date on the payroll "Time Sheets" appears to be entered by the employee and there appears to be uncertainty as to what the day date is. It is suggested that the supervisor complete this information when reviewing the time sheets to improve consistency and the ability to match time sheets to the actual pay periods.

FIXED ASSETS

1. During the audit it was noted that the fixed assets detail schedule did not agree to the general ledger for some of the accounts. The detail should agree to the corresponding general ledger information. It is recommended that whenever assets are added or disposed, the changes per the detail schedule should be compared to the general ledger and agreed. To facilitate this reconciliation it is recommended that copies of the department detail schedule, as prepared by Educational and Treatment Council, Inc., be distributed to department heads and responsible parties to use in taking a current inventory of property on hand to verify the inclusion of assets on the schedule and that items on the schedule have not been disposed.

GENERAL

1. In examining the control and use of checks, it was noted in one bank account that normal and two types of computer checks are used. For better control it is suggested that the normal checks be eliminated and computer checks singly be prepared normally. An additional suggestion is to include a copy of the bank reconciliation in the actual bank statement.

NOTES TO FINANCIAL STATEMENTS

open until September, 1985. The monies to open and continue the ongoing services of the Shelter come from a patchwork of services. Locally, on May 5, 1984, the property owners of Calumet Parish passed the "General Detention, Protection and Services Tax" which continues to provide funds for the purchase of Emergency Shelter services. The State Office of Community Services contracts for the care of foster children and children in the custody of Child Protection. As a national level, ETC was awarded a Runaway and Homeless Youth Act Grant in February, 1984 and has been able to maintain this funding source to provide temporary care for runaway and homeless youth.

Objectives:

The Emergency Shelter for Children Program of ETC is designed to provide emergency shelter for battered and abused children and youth, status offenders and runaways ages three to seventeen. Residents of the Shelter average length of stay ranges from 10 to 45 days. The maximum residency is 185 days. Some children come to the Shelter as private placements. Residents of the Shelter are provided the following services: group counseling twice daily, individual counseling as needed, family counseling as needed, educational instruction, enrichment programs and classes in basic living skills, psychological screening and/or evaluation as needed:

1. To alleviate the problems of runaway and homeless youth.
2. To reunite youth and their families.
3. To strengthen family relationships.
4. To help youth decide upon constructive courses of action.

Significant accounting policies:

Contributions:

Gifts of cash and other assets are presented as restricted support, if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

EDUCATIONAL AND TREATMENT COUNCIL, INC.

INDEPENDENT AUDITOR'S COMMENTS ON
REGULATION OF FINE ARTS FINANCING
YEAR ENDED JUNE 30, 1998

We have reviewed the findings reported in the audit of Educational and Treatment Council, Inc. for the year ended June 30, 1998. All findings from prior years have been corrected.

MCELROY, QUIRK & BURCH

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CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 2070
LAKE CHARLES, LOUISIANA
70601

MONROE STREET
TELEPHONE (504) 483-2444
FACSIMILE (504) 483-2444

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

To the Board of Directors
Educational and Treatment Council, Inc.
Lake Charles, Louisiana

We have audited the financial statements of the Educational and Treatment Council, Inc. as of and for the year ended June 30, 1989, and have issued our report thereon dated September 27, 1989.

We conducted our audit in accordance with generally accepted auditing standards and government auditing standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Educational and Treatment Council, Inc. 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 managers 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.

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LEADER CHARLES SCHMIDT
CPA, CPA

ONE EIGHT SEVENTY
ONE EIGHT ONE ONE EIGHT ONE
NEW ORLEANS, LOUISIANA

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

To the Board of Directors
Educational and Treatment Council, Inc.
Lake Charles, Louisiana

We have audited the financial statements of Educational and Treatment Council, Inc. as of and for the year ended June 30, 1980, and have issued our report thereon dated September 18, 1980.

We have applied procedures to test Educational and Treatment Council, Inc.'s compliance with the following requirements applicable to its federal award programs, which are identified in the Schedule of Federal Awards, for the year ended June 30, 1980:

- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Drug Free Work Place Act
- Allowable costs/unit principles
- Administration 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 Educational and Treatment Council, Inc.'s compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

McELROY, QUIRK & BURCH

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MEMBER
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 2004
LAKE CHARLES, LOUISIANA
70601

MEMBER OFFICE
TELEPHONE (504) 435-0400
FACSIMILE (504) 435-0400

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

TO THE BOARD OF DIRECTORS
Educational and Treatment Council, Inc.
Lake Charles, Louisiana

We have audited the financial statements of Educational and Treatment Council, Inc. as of and for the year ended June 30, 1979, and have issued our report thereon dated September 18, 1979.

We have also audited Educational and Treatment Council, Inc.'s compliance with the requirements governing types of services allowed or prohibited; 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 awards programs, which are identified in the accompanying Schedule of Federal Awards, for the year ended June 30, 1979. The management of Educational and Treatment Council, Inc. is responsible for Educational and Treatment Council, Inc.'s compliance with these requirements. Our responsibility is to express an opinion on compliance with these requirements based on our audit.

We conducted our audit of compliance with these requirements 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 Circular A-133, Audit of Institutions of Higher Education and Other Recipients Institutions. These 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 Educational and Treatment Council, Inc.'s compliance with these requirements. We believe that our audit provides a reasonable basis for our opinion.

We performed tests of controls, as required by GAO 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 organization'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 policies and procedures used in administering federal awards 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 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 awards 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. However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of Education and Treatment Council, Inc. in a separate letter dated September 19, 1996.

This report is intended solely for the use of management and other state and Federal audit agencies. However, this report is a matter of public record and its distribution is not limited.

McElroy, Quirk & Bush

Lake Charles, Louisiana
September 19, 1996

McELROY, QUINN & BURCH

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CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER OF MISSISSIPPI
CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 200
LAKE CHARLES, LOUISIANA
70601

WISCONSIN STREET
FIRST FLOOR SUITE 200
LAKE CHARLES

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

To the Board of Directors
Educational and Treatment Council, Inc.
Lake Charles, Louisiana

We have audited the financial statements of the Educational and Treatment Council, Inc. as of and for the year ended June 30, 1996, and have issued our report thereon dated September 19, 1996. We have also audited the compliance of Educational and Treatment Council, Inc. with requirements applicable to major federal award programs and have issued our report thereon dated September 19, 1996.

We conducted our audits 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 E-115, 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 misstatements and about whether Educational and Treatment Council, Inc. complied with laws and regulations, non-compliance with which could be material to a major federal award program.

In planning and performing our audits for the year ended June 30, 1996, we considered the internal control structure of Educational and Treatment Council, Inc. in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements of Educational and Treatment Council, Inc. 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 September 19, 1996.

McELROY, QUINN & BURCH

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CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

175 BUREAU
LAKESHORE, LOUISIANA
70002

ONE EIGHTY SEVEN
THIRTY SEVEN AND SIX AND
EIGHT SEVEN

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
Educational and Treatment Council, Inc.
Lake Charles, Louisiana

We have audited the financial statements of the Educational and Treatment Council, Inc. as of and for the year ended June 30, 1994, and have issued our report thereon dated September 18, 1994.

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 Educational and Treatment Council, Inc. is the responsibility of Educational and Treatment Council, Inc.'s management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Organization's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

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

This report is intended for the information of the Board of Directors, management and other state and federal audit agencies. However, this report is a matter of public record and its distribution is not limited.

McElroy, Quinn & Burch
Lake Charles, Louisiana
September 18, 1994

MCELROY, QUINN & BURCH

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CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
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CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
SOCIETY OF ACCOUNTANTS
CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 5707
LAWRENCEVILLE, GEORGIA 30046
Telephone

404 882-7287
TELEPHONE FOR FAXING
AND SHIPMENTS

MEMBER OF THE AICPA

To the Board of Directors
Educational and Treatment Council, Inc.
Lake Charles, Louisiana

We have audited the financial statements of Educational and Treatment Council, Inc. for the year ended June 30, 1990, and have issued our report thereon dated September 19, 1990. As part of our audit, we made a study and evaluation of the Organization's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Organization's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of Educational and Treatment Council, Inc. is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, selection and judgments by management are required to assess the expected benefits and related costs of internal procedures. The objectives of a system are to provide management with responsible, 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 system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Educational and Treatment Council, Inc. taken as a whole. However, our study and evaluation disclosed no condition that we believe to be a material weakness.