

THE ABC OF ST. CHARLES, INC.  
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JUNE 30, 1997 AND 1998

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# THE SCHAFER GROUP, LTD.

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10/27/97  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Arc of St. Charles, Inc.  
Scotts, Louisiana

We have audited the accompanying statements of financial position of The Arc of St. Charles, Inc. (a nonprofit organization) as of June 30, 1997 and 1996, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Arc of St. Charles, Inc. as of June 30, 1997 and 1996, and the changes in net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

THE SCHAFER GROUP, LTD.

  
Morrison T. Schaefer, President  
Certified Public Accountant

September 25, 1997

THE ABC OF ST. CHARLES, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 1997 AND 1996

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**ASSETS**

**Current Assets**

	<u>1997</u>	<u>1996</u>
Cash	\$ 31,155	\$ 34,881
Accounts Receivable	<u>32,182</u>	<u>28,633</u>
Total Current Assets	<u>63,337</u>	<u>63,514</u>

**PROPERTY & EQUIPMENT**

Building	68,888	58,598
Furniture & Equipment	21,715	17,310
Vehicles	<u>107,288</u>	<u>108,288</u>
Total Property and Equipment	197,891	184,206
Less: Accumulated Depreciation	(111,526)	(102,861)
Net Property & Equipment	<u>86,365</u>	<u>81,345</u>

**Other Assets**

Deposits	<u>222</u>	<u>222</u>
Total Other Assets	<u>222</u>	<u>222</u>
TOTAL ASSETS	\$ <u>149,712</u>	\$ <u>149,012</u>

See the independent auditor's report and the notes to the financial statements.

THE ASS OF ST. CHARLES, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 1997 AND 1996

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

	<u>1997</u>	<u>1996</u>
Accounts Payable	\$ 3,588	\$ 4,495
Payroll Taxes Payable	1,973	2,565
Accrued Payroll	4,576	12,565
Current Portion of Long-Term Debt	1,250	1,400
Insurance Payable	<u>1,611</u>	<u>-</u>
Total Current Liabilities	<u>12,998</u>	<u>21,025</u>

**Long-Term Liabilities**

Mort Payable - D.K.	1,250	2,446
Less: Current Portion Included Above	( 1,250)	( 1,400)
Total Long-Term Liabilities	<u>-</u>	<u>1,046</u>
TOTAL LIABILITIES	<u>12,998</u>	<u>22,071</u>

**Net Assets**

Unrestricted	117,715	186,948
Temporarily Restricted	-	-
Permanently Restricted	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>117,715</u>	<u>186,958</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 129,713</u>	<u>\$ 188,029</u>

See the independent auditor's report and the notes to the financial statements.

THE ARC OF ST. CHARLES, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 1993 AND 1994

INCREASE (DECREASE) IN  
UNRESTRICTED NET ASSETS

	<u>1993</u>	<u>1994</u>
<u>Support</u>		
Dept. of Health & Human services - Office of Citizens with Developmental Disabilities	\$ 154,878	\$ 155,123
Dept. of Health & Human Services - Medicaid	37,723	38,180
Kon-Care, Inc.	31,347	34,417
Vocational Rehabilitation	28,141	29,310
Keypile	5,033	1,800
Indirect Public Support	1,088	30,826
Facitorial/Lease Care	34,858	77,270
Car Washing	889	820
Ceramics	1,513	190
Acc of IA	-	3,760
United Way	31,728	-
Miscellaneous	522	11,340
Cash Contributions	8,878	810
Vending Machines	314	230
Investment Returns	<u>42</u>	<u>420</u>
<b>TOTAL SUPPORT</b>	<b>378,388</b>	<b>378,210</b>
<u>Expenses</u>		
Program Services	280,658	310,220
Supporting Services	<u>22,821</u>	<u>158,480</u>
<b>TOTAL EXPENSES</b>	<b>303,479</b>	<b>468,700</b>
<b>INCREASE (DECREASE) IN</b> <b>UNRESTRICTED NET ASSETS</b>	<b>\$ 74,909</b>	<b>\$ (90,490)</b>
Increase (Decrease) in Net Assets	\$ 70,757	\$ (50,755)
Net Assets, Beginning of Year	188,338	188,713
Net Assets, End of Year	<u>\$ 259,095</u>	<u>\$ 137,958</u>

See the independent auditor's report and the notes to the financial statements.

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THE ARC OF ST. CHARLES, INC.  
STATEMENTS OF FINANCIAL EXPENSES  
YEARS ENDED JUNE 30, 1997 AND 1996

	PROGRAM SERVICES		SUPPORTING SERVICES	
	1997	1996	1997	1996
Payroll	\$ 288,907	\$ 178,459	\$ 46,488	\$ 62,841
Payroll Taxes	38,018	25,218	3,738	7,257
Insurance - Health	2,842	-	389	3,371
Professional Fees	-	-	1,800	2,800
Awards	-	-	1,200	300
Bank Charges	-	-	26	70
Convention Expense	-	-	-	3,000
Dues	-	-	2,260	1,461
Entertainment	-	-	1,894	784
Alarm	-	-	787	360
Stability Insurance	16,000	16,200	2,279	1,300
Auditorial	-	-	94	1,067
Licenses	788	-	351	376
Maintenance & Repairs	6,084	11,013	268	700
Meeting Expenses	-	-	358	648
Miscellaneous	339	-	200	2,819
Postage	-	-	535	507
Supplies	18,823	10,882	4,380	2,303
Telephones	-	-	2,894	4,084
Travel & Seminars	4,927	-	1,007	8,070
Food	14,744	10,419	-	-
Transportation Expenses	-	-	3,500	-
Property Insurance	-	-	2,207	-
Insurance - General	-	-	875	-
Depreciation	-	-	3,882	21,541
<b>TOTAL</b>	<b>\$ 380,540</b>	<b>\$ 332,210</b>	<b>\$ 62,802</b>	<b>\$ 158,681</b>

See the independent auditor's report and the notes to the financial statements.

THE ABC OF ST. CHARLES, INC.  
STATEMENTS OF CASH FLOWS  
YEAR ENDED JUNE 30, 1987 AND 1986

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	<u>1987</u>	<u>1986</u>
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Net Income (Loss)	\$ 10,787	\$ 23,152
Non Cash Items Included in Net Income:		
Depreciation	3,840	11,515
(Increase) Decrease in:		
Accounts Receivable	7,454	459
Deposits	-	( 212)
Increase (Decrease) in:		
Accounts Payable	( 907)	( 919)
Payroll Taxes Payable	( 1,013)	955
Accrued Payroll	( 8,408)	( 588)
Insurance Payable	<u>2,611</u>	<u>-</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>13,353</u>	<u>13,322</u>
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
Purchase of Property & Equipment	( 5,885)	( 42,442)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>( 5,885)</u>	<u>( 42,442)</u>
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
Note Payable - G.E. Capital	( 1,388)	2,536
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>( 1,388)</u>	<u>2,536</u>
Net Increase (Decrease) in Cash	6,480	( 26,178)
Cash, Beginning of Year	<u>28,663</u>	<u>54,841</u>
Cash, End of Year	\$ <u>35,143</u>	\$ <u>28,663</u>

See the independent auditor's report and the notes to the financial statements.

THE ARC OF ST. CHARLES, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 1987 AND 1988

1. SIGNIFICANT ACCOUNTING POLICIES

- A. The financial statements of The Arc of St. Charles, Inc. (a nonprofit organization) have been prepared on the accrual basis; therefore certain revenues and the related assets are recognized when earned rather than when received and certain expenses are recognized when the obligation is incurred rather than when paid. These policies have been consistently applied in the preparation of the financial statements. The corporation has no capital stock.
- B. Business Activity  
 The Arc of St. Charles, Inc. trains the mentally and physically handicapped citizens of the parish that are over 22 years of age. The areas of training include self-help, social skills, pre-occupational, independent living, mobile work crews, personal hygiene, daily living skills - making change, telling time, safety - recognition of danger signs, physical training and maximization of individual potential. The organization also provides free transportation for all activities including daily instruction classes.
- C. Property and Equipment  
 Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how these donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.
- D. Cash Flows  
 For purposes of the statement of cash flows, the organization considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.



**H. Financial Statements Presentation**

In 1994, the Organization adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, the Organization 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. In addition, the Organization is required to present a statement of cash flows. As permitted by this new statement, the Organization has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required. This reclassification had no effect on the change in net assets for 1997 or 1998.

**F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

**2. LEASES**

The organization leases its facilities from the St. Charles Parish School Board under a monthly operating lease at no charge. The lessee pays all utilities, insurance, maintenance and improvements. The lessor may cancel the lease if the facilities are needed for school purposes.

**3. CONTRIBUTED SERVICES**

A number of unpaid volunteers have made contributions of their time to the organization during the year. The value of this contributed time is not reflected in these statements since it is not amenable to objective measurement or valuation.

**4. CONTRIBUTED FACILITIES**

The organization occupies at no charge certain premises located in a government owned building. The estimated fair rental value of the premises is reported as support and expenses in the period in which the premises are used.

The organization received a contribution of a wood-framed building in the fiscal year ended June 30, 1998, which is reported at its fair market value.

(notes continued)

5. CONTRIBUTED ASSETS

All assets contributed to the organization are reported at their estimated fair market value.

6. CONTRACT RESERVES

The organization entered into a contract with the Office of Mental Retardation, Department of Health and Hospitals to provide training to the mentally and developmentally handicapped citizens over 15 years of age in St. Charles Parish. The areas of training include self-help, social skills, pre-vocational, independent living, social work areas and behavioral skills. Under the agreement, the Department of Health and Hospitals will pay \$83,304 in equal amounts per month over the life of the contract. The remaining contract dollars, \$61,488 will be paid based on the type of services provided to each individual client and the complexity of the individual's needs.

The organization also entered into a contract with New-Care, Inc., a residential provider to provide day training at \$28.86 per client day. The training provided is explained in the preceding paragraph.

The organization also receives revenues for providing training to Medicaid clients.

7. CONTRACT RECEIVABLES

Contract receivable consists of services provided but not yet received as of June 30, 1987 and 1986, as made up of the following:

	1987	1986
Dept. of Health & Hospitals	\$ 7,702	\$ 7,799
Dept. of Health & Hospitals - Medicaid	3,778	3,081
New-Care, Inc.	3,319	3,308
Vocational Rehabilitation	-	4,805
Leas/Jenitorial	<u>5,500</u>	<u>7,025</u>
	\$ 20,300	\$ 25,018

8. ECONOMIC DEPENDENCY

The organization depends on the Department of Health and Hospitals for a major portion of its support.

9. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS

The Arc of St. Charles, Inc. extends a substantial amount of credit to several non-profit and state agencies such as the Department of Health and Hospitals and New-Care, Inc.

(Notes continued)

10. INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

11. RESTRICTIONS ON NET ASSETS

All net assets of The Arc of St. Charles, Inc. are classified as unrestricted net assets as of June 30, 1997 and 1996. All support received from current contracts will be classified as unrestricted.

12. LEASE PURCHASE

The Arc of St. Charles, Inc. has entered into a lease-purchase agreement with G.E. Capital. The capital lease was used to acquire office equipment with a cost of \$2,332.00. The lease requires 48 monthly payments of \$116.66.

13. TRANSPORTATION CONTRACT

The Arc of St. Charles, Inc. has signed a transportation service agreement with the St. Charles Council of Aging, Inc. providing round trip transportation between the Respite Activity Center and home. The cost is \$4.00 per passenger. This agreement can be cancelled by either party with 30 day notice.

# THE SCHAFER GROUP, LTD.

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Geneva, Switzerland  
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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH INTERNATIONAL AUDITING STANDARDS

To the Board of Directors  
The Arc of St. Charles, Inc.  
Nashville, Louisiana

We have audited the accompanying financial statements of The Arc of St. Charles, Inc. (a nonprofit organization) as of and for the years ended June 30, 1997 and 1996, and have issued our report thereon dated September 24, 1997.

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

The management of The Arc of St. Charles, 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 management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of The Arc of St. Charles, Inc. for the years ended June 30, 1997 and 1998, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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 operation that we consider to be material weaknesses as defined above.

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

THE SCHAPIRO GROUP, LTD.

  
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KEVIN T. SCHAFER, President  
Certified Public Accountant

September 24, 1997

# THE SCILAFER GROUP, LTD.

Ernest W. Schaffer, CPA, FID  
David P. Fluharty, FID  
John L. Nichols, FID  
Loren J. Decker, FID  
Charles Jones, FID

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March 1,  
1937  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON  
AN ASSESSMENT OF FINANCIAL STATEMENTS PREPARED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
The Arc of St. Charles, Inc.  
Moutrie, Louisiana

We have audited the accompanying financial statements of The Arc of St. Charles, Inc. in nonprofit organizational as of and for the years ended June 30, 1937 and 1936, and have issued our report thereon dated September 24, 1937.

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

Compliance with laws, regulations, contracts, and grants applicable to The Arc of St. Charles, Inc. is the responsibility of The Arc of St. Charles, Inc.'s management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of The Arc of St. Charles, Inc.'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 Louisiana Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.

THE SCILAFER GROUP, LTD.

  
Ernest W. Schaffer, President  
Certified Public Accountant

September 24, 1937