

THE ARC OF NORTH WEBSTER

SAREPTA, LOUISIANA

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FINANCIAL STATEMENTS

June 30, 1998

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SEP 0 9 1998

# THE ARC OF NORTH WEBSTER

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**Jim H. Stevens, Jr. & Company, L.L.P.**

Certified Public Accountants

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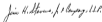
**Independent Auditor's Report**

Board of Directors  
The ARC of North Webster  
Sarpy, Louisiana

We have audited the accompanying statements of financial position of The ARC of North Webster as of June 30, 1998 and 1997, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of The ARC of North Webster'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 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. 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 North Webster as of June 30, 1998 and 1997, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.



Certified Public Accountants

October 27, 1998

# THE ARC OF NORTH WEBSTER

## Statements of Financial Position

June 30, 1998 and 1997

### ASSETS

	1998	1997
Cash and cash equivalents	141,582	102,183
Short-term investments	14,779	14,089
Accounts receivable - net	88,365	105,580
Accrued interest	8	6
Investment - stock	1,118	1,118
Inventory	619	794
Land, buildings and equipment - net	144,760	143,387
Utility deposits	499	499
<b>Total Assets</b>	<b>392,329</b>	<b>367,792</b>

### LIABILITIES AND NET ASSETS

<b>Liabilities</b>		
Accounts payable	8,129	7,618
Accrued and withheld taxes and expenses	5,481	6,451
Long-term debt	4,044	24,900
<b>Total Liabilities</b>	<b>17,654</b>	<b>39,069</b>
<b>Net Assets</b>		
Unrestricted	378,645	328,723
<b>Total Unrestricted Net Assets</b>	<b>378,645</b>	<b>328,723</b>
<b>Total Liabilities and Net Assets</b>	<b>392,329</b>	<b>367,792</b>

## THE ARC OF NORTH WEBSTER

### Statements of Activities June 30, 1998 and 1997

	1998	1997
<b>Public Support</b>		
Grants from federal agencies	104,700	108,417
Grants from state agencies	153,158	144,815
Contributions	150	1,408
Special events	601	1,817
Allocated by United Way	1,126	7,038
Total Public Support	360,735	363,495
<b>Revenues</b>		
Program related revenues:		
Work center sales		
Gross revenue	144,080	128,710
Direct costs	(68,478)	(71,518)
Work center sales - net	75,602	57,192
Revenues from support homes:		
Hull/Delta Home	78,210	66,180
Meyler/Conover Home	24,360	28,000
Excelsior Home	38,400	29,520
Delta Community Group Home	13,180	12,600
Total revenues from support homes	154,150	136,300
Other revenues:		
Interest income	3,667	2,496
Member dues	380	831
Miscellaneous income	7,958	6,296
Total other revenues	11,805	9,623
Total revenues	291,407	285,498
Total public support and revenues	652,142	648,993
<b>Expenses</b>		
Program services	628,958	622,347
Supporting services:		
Administration and general	82,450	88,890
Local supporting services	87,450	88,890
Total expenses	716,400	719,817
Increase (Decrease) in net assets	(64,258)	(70,824)
Net assets at beginning of year	128,710	199,644
Price period adjustment	1,148	-
Net assets at ending of year	56,500	128,820

## THE ARC OF NORTH WEBSTER

### Statement of Functional Activities June 30, 1997

	Program Services	Management and General	Total
Salaries	459,943		459,943
Payroll taxes	44,736		44,736
Insurance - Workers' Compensation and Health	46,683		46,683
Total salaries and related expenses	551,362		551,362
Advertising and public relations		3,326	3,326
Automotive expenses	16,317		16,317
Banquet expense	3,295		3,295
Collection expense		13	13
Data and subscriptions		1,543	1,543
Equipment rental	606		606
Insurance - general	6,199		6,199
Interest expense		437	437
Legal and professional		10,783	10,783
Licenses and permits	449		449
Meals and entertainment			347
Medical expense	347		347
Miscellaneous		1,329	1,329
Office expense		6,543	6,543
Repairs and maintenance		4,299	4,299
Supplies	3,621	3,651	7,272
Telephone		4,896	4,896
Travel, entertainment and seminars			23,279
Travel and other expense - PCA and Receipts	23,279		23,279
Utilities		12,462	12,462
Total expenses before depreciation	54,386	46,697	101,083
Depreciation	26,670		26,670
Total expenses	81,056	46,697	127,753

See accompanying notes to financial statements.

# THE ARC OF NORTH WILMSTER

## Statement of Functional Activities June 30, 1988

	Program Services	Management and General	Total
Salaries	480,328		480,328
Payroll taxes	48,245		48,245
Insurance - Workers' Compensation and Health	58,250		58,250
Total salaries and related expenses	586,823		586,823
Advertising and public relations		1,968	1,968
Administrative equipment	3,682		3,682
Banquet expense	2,382		2,382
Collection expense			
Dues and subscriptions		1,438	1,438
Equipment rental			
Insurance - general	16,831		16,831
Interest expense		2,573	2,573
Legal and professional		18,385	18,385
Licenses and permits	798		798
Meals and entertainment		19	19
Medical expense	998		998
Miscellaneous		2,147	2,147
Office expense		8,788	8,788
Repairs and maintenance		15,628	15,628
Supplies	6,036	3,894	9,930
Telephone		5,496	5,496
Travel, conventions and seminars		3,232	3,232
Travel and other expense - FCA and Respite	9,981		9,981
Utilities		12,518	12,518
Total expense (includes depreciation)	41,786	62,659	104,445
Depreciation	28,141		28,141
Total expenses	656,910	62,457	719,367

See accompanying notes to financial statements.

## THE ARC OF NORTH WEBSTER

### Statements of Cash Flow June 30, 1998 and 1997

	1998	1997
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	29,763	37,457
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,140	35,659
Adjustment for losses on accounts receivable	364	445
Donated stock included in contributions		(1,138)
(Increase)/decrease in accounts receivable	15,470	981
(Increase)/decrease in accrued interest	(2)	(5)
(Increase)/decrease in inventories	85	538
Increase (decrease) in accounts payable	945	(701)
Increase (decrease) in accrued liabilities	3,830	3,168
Prior Period Adjustment	3,189	
Total Adjustments	50,681	38,887
<b>Net cash provided (used) by operating activities</b>	<b>80,444</b>	<b>76,344</b>
 <b>Cash flows from investing activities</b>		
Interest reinvested in certificates of deposit	(583)	(640)
Purchase of certificates of deposit		
Purchase of fixed assets	(28,519)	(18,346)
Cash proceeds from the sale of fixed assets		
Net cash provided (used) by investing activities	(29,102)	(19,026)
 <b>Cash flows from financing activities</b>		
Financing by lease purchase of equipment	2,608	5,148
Proceeds of long-term notes payable		
Principal payments on long-term debt and capital leases	(12,818)	(7,536)
Net cash provided (used) by financing activities	(10,210)	(2,388)
 <b>Net increase (decrease) in cash and cash equivalents</b>	<b>39,299</b>	<b>49,847</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>182,399</b>	<b>56,746</b>
<b>Cash and cash equivalents, end of year</b>	<b>221,698</b>	<b>106,593</b>
 <b>Interest paid</b>	<b>3,573</b>	<b>457</b>

See accompanying notes to financial statements.



# THE ARC OF NORTH WEBSTER

## Notes to Financial Statements June 30, 1998 and 1997

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by The ARC of North Webster are described in summary form below:

#### **Basic of Accounting**

The financial statements of The ARC of North Webster have been prepared on the normal basis. The financial statements are presented in accordance with Statement of Financial Accounting Standards No. 117, Financial Statements for Not-for-Profit Organizations, which requires the ARC 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.

#### **Activities and Organization**

The ARC of North Webster was organized for the purpose of training and improving the quality of life of citizens with developmental disabilities. The ARC of North Webster was originally incorporated as the Springhill Association of Retarded Children. Later, the name was informally changed to the Springhill Association of Retarded Citizens. On February 23, 1994, the name was changed by formal change of the articles of incorporation to The ARC of North Webster.

The ARC of North Webster has been determined by the Internal Revenue Service under the name Springhill Association of Retarded Citizens to be tax-exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

#### **Cash**

The ARC maintains cash in operating bank accounts, cash on hand, and other highly liquid debt investments purchased with a maturity of three months or less to be cash and cash equivalents.

#### **Investments**

Short-term investments, consists of a certificate of deposit, earned interest, which approximates market.

Investment-stock consists of 80 shares of IBM stock, consisting of 15 shares of stock, which was donated to the ARC and later split into five shares. The stock was recorded at its estimated fair value at the date of donation.

#### **Unsettled accounts**

During the year ending June 30, 1997, management established an allowance for doubtful accounts to cover the estimated amount of accounts, which will be uncollectible.

(Continued)

# THE ARC OF NORTH WEBSTER

Notes to Financial Statements  
June 30, 1998

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, Plant and Equipment

Property, plant and equipment are recorded at cost when purchased and at fair market value when donated to the organization. Depreciation is recorded on the straight-line method using estimated useful lives as follows:

Furniture, fixtures and equipment	5-10 years
Automobiles	5 years
Buildings and improvements	10-20 years

### Depreciation

Donated materials are recorded in the financial statements at their fair values at the date of receipt. In accordance with FASB No. 116, no amounts have been reflected in the statements in as much as no objective basis is available to measure the value of such services; however, a number of volunteers have donated their time to assist in the operations and improvements of the ARC.

Contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Major donor stipulations regarding how long those assets must be maintained at the ARC upon acquisition of donor restrictions when the support assets are placed in trust are indicated by the donor. The ARC recognizes temporarily restricted assets as unrestricted net assets at that time.

Contributions received are recorded as unconditional, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

For purposes of the statement of assets, the Council considers all highly liquid-life investments purchased with a maturity of three months or less to be cash equivalents.

(Continued)

## THE ARC OF NORTH WEBSTER

### Notes to Financial Statements June 30, 1998 and 1997

**2. CASH**

	1998	1997
Cash is summarized as follows:		
Fifty cents	380	380
Cash on hand		526
Cash in checking accounts	16,690	7,903
Cash in interest-bearing accounts	344,892	34,584
Total	362,942	43,493

At June 30, 1998 and 1997, the carrying amounts of the ARC's deposits total \$181,382 and \$181,317 respectively and the bank balances total \$200,321 and \$156,719. At June 30, 1998, \$714,870 in deposits is covered by FDIC insurance and \$85,476 is covered by pledge of 2 (two) \$50,000 U.S. Treasury bills with market values of \$100,418. At June 30, 1997, all deposits are covered by FDIC insurance.

**3. ACCOUNTS RECEIVABLE**

	1998	1997
Accounts receivable are summarized as follows:		
Accounts receivable - customers - net	8,307	8,110
Employee advances	310	111
Due from federal agencies	55,895	76,490
Due from state agencies	12,804	11,201
Due from sponsoring houses	11,679	11,480
Total	88,765	107,592

Accounts receivable - customers are reported net of an allowance for doubtful accounts at June 30, 1998, in the amount of \$709.

**4. INVESTMENT STOCK**

The estimated fair value of the thirty shares of BSC stock is \$14,024 at June 30, 1998 and \$1,348 at June 30, 1997.

**5. INVENTORIES**

Inventory consists of oil, tires and miscellaneous items on hand at June 30, 1998 and 1997, valued at cost on the first-in, first-out method.

(Continued)

## THE ARC OF NORTH WEBSTER

Notes to Financial Statements  
June 30, 1988 and 1987

### 4. LAND, BUILDINGS AND EQUIPMENT

	<u>1988</u>	<u>1987</u>
Land, buildings and equipment consist of the following:		
Land	3,080	3,080
Buildings and renovations	158,187	158,187
Furniture, fixtures and equipment	153,264	138,929
Automotive equipment	<u>54,075</u>	<u>50,580</u>
Total land, buildings and equipment	368,606	350,776
Less: accumulated depreciation	<u>231,780</u>	<u>213,668</u>
Land, buildings and equipment - net	<u>136,826</u>	<u>137,108</u>

### 5. LONG-TERM DEBT AND CAPITAL LEASE

The ARC records items under capital leases as assets and long-term obligations in the accompanying financial statements. During the year, the ARC entered into a capital lease for microfilm equipment.

	<u>1988</u>	<u>1987</u>
Long-term debts and capital leases are as follows:		
Bank note payable in monthly installments, dated September 28, 1985, interest at 6.7512%, secured by Visa		7,380
Bank note payable in monthly installments, dated July 28, 1986, interest at 7.5%, secured by Visa		11,007
Capital lease for equipment, dated January 14, 1987	2,880	4,379
Capital lease for equipment, dated November 27, 1987	<u>1,244</u>	<u>        </u>
Total	<u>4,244</u>	<u>22,766</u>

The following is a summary of future minimum lease and lease payments at June 30, 1988:

1988	<u>3,138</u>	
2000	<u>1,173</u>	
Total minimum payments	<u>4,311</u>	
Less: assumed expiring interest	<u>457</u>	
Present value of future minimum payments	<u>3,854</u>	

(Continued)

# THE ARC OF NORTH WEBSTER

## Notes to Financial Statements June 30, 1998 and 1997

### 8. WORK CENTER SALES AND REVENUE

Work center sales and less related costs are as follows:

	1998			1997		
	Sales and Fees	Cost of Sales	Net	Sales and Fees	Cost of Sales	Net
Contact Work	31,508	1,458	31,876	18,767	855	18,912
Miscellaneous	41,680	3,328	36,352	50,986	4,411	47,575
Service Station	43,312	44,478	(1,166)	40,840	46,895	(7,055)
Bible Study	16,071	16,816	(845)	16,562	16,516	46
Overseas	50	50	—	1,845	611	1,234
Paper Shredding	315	54	261	—	—	—
Field work	7,211	1,283	5,928	6,038	3,038	3,000
<b>Totals</b>	<b>148,884</b>	<b>69,638</b>	<b>79,246</b>	<b>125,732</b>	<b>21,818</b>	<b>103,914</b>

### 9. COMPENSATED ABSENCES

No accrued has been recorded for compensated absences. Vacations are required to be taken during two weeks that The ARC of North Webster is closed during the year. Sick pay accumulation at the rate of one day per month, but is forfeited upon termination.

### 10. RELATED PARTY TRANSACTIONS

The following payments were made to officers, directors or related parties:

	1998		1997		Purchase of Goods and Services
	Salary	Expense Reimbursement	Salary	Expense Reimbursement	
Ann Haygood, Executive Director			19,150	1,766	
Deborah Owens, Executive Director	52,432	1,918	30,586	1,509	
Philly Adams, Assistant Director			4,008		
Terry Fox, Administrative Assistant	5,803	190			
Tim Marsh, Assistant Director	17,433	837			
Margaret DePueble, Board Member		100			
L.M. Huley, Board Member				57	
Kelly Thompson, Board Member		30		30	
<b>Total</b>	<b>85,668</b>	<b>3,205</b>	<b>53,744</b>	<b>3,302</b>	

## THE ABC OF NORTH WEBSTER

Notes to Financial Statements  
June 30, 1998 and 1997

### 11. PRIOR PERIOD ADJUSTMENT

During the year ending June 30, 1998, the Internal Revenue Service refunded Federal unemployment taxes, which were paid by the ABC to state for prior years.

## Supplementary Information

**Report on Compliance and an Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

Board of Directors  
The ARC of North Webster  
Sopch, Louisiana

We have audited the financial statements of The ARC of North Webster (a non-profit organization) as of and for the years ended June 30, 1998 and 1997, and have issued our report thereon dated October 27, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the ARC of North Webster's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which, could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, 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*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the ARC of North Webster's internal control over financial reporting in order to determine the auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted two matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the ARC of North Webster's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 98-1 and 98-2.



A **material weakness** is a condition in which the design or operation of one or more of the internal control components does not reduce to an acceptably low level the risk that misstatements 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. Our consideration of the internal control over financial reporting would not necessarily detect all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the legislative auditor, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



Certified Public Accountant

October 27, 1988

# THE ARC OF NORTH WEBSTER

## Schedule of Findings and Questioned Costs June 30, 1998

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of Report issued:

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

No

Reportable conditions identified (not considered to be material weaknesses)?

Yes

**98-1:** The AOC is not recording the unrecorded differences in cash sales and collections as cash over or (short) on the general ledger.

**98-2:** A pre-numbered cash receipt book should be used to document all cash and checks coming into the AOC, including those from support houses and governmental agencies.

#### Other Goals

Not applicable.

### Section II - Financial Statement Findings

98-1:

Condition:

We reported in our letter (December 18, 1997), that cash was not being reconciled on a daily basis as received from the various stations and the differences recorded in the general ledger as cash over or (short). We found on June 30, 1998, that the cash is now being reconciled, however, differences are still not reported in the general ledger.

Recommendation:

We continue to recommend that accounts for cash over and (short) be established on the general ledger, so that management can more adequately monitor this activity.

Management's response:

We concur with the recommendation and this will be implemented.

(Continued)

# THE ARC OF NORTH WEBSTER

## Schedule of Findings and Questioned Costs June 30, 1998

### Section II - Financial Statement Findings (continued)

99-2:

**Condition:**

We found several receipts that had been reclassified in the general ledger because of confusion concerning what the receipt was for, from the various finding agencies, and the proper classification.

**Recommendation:**

We recommend that pre-numbered three part receipts be used to record all receipts of cash or checks coming into the ARC. We further recommend that management designate on the receipt the proper distribution of this income to the general ledger. We further recommend that the receipt numbers be placed on the deposit slip, thereby, tying the cash receipts to the bank deposit.

**Management's response:**

We concur with the recommendations and this is already being implemented.

### Section III - Federal Award Findings and Questioned Costs

None were reported.