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**ST. JAMES ASSOCIATION FOR  
RETARDED CHILDREN, INC.**

**DECEMBER 31, 1997**

**VACHERIE, LOUISIANA**

**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 JUL 08 1998**

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**Hannis T. Bourgeois, L.L.P.**

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1111 S. Range Avenue, Suite 101  
Denham Springs, LA 70726

May 29, 1998

Independent Auditor's Report

To the Board of Directors  
St. James Association for Retarded  
Children, Inc.  
Vacherie, Louisiana

We have audited the accompanying Statement of Financial Position of St. James Association for Retarded Children, Inc. as of December 31, 1997 and the related Statements of Activities, Functional Expenses and Cash Flows 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 and the standards applicable to financial audits contained in 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 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of St. James Association for Retarded Children, Inc. as of December 31, 1997 and the changes in its net assets 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 our report dated May 29, 1998 on our consideration of St. James Association for Retarded Children, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Respectfully submitted,

1 Hannis T. Bourgeois, LLP

St. James Association for Retarded Children, Inc.

STATEMENT OF FINANCIAL POSITION

as of December 31, 1997

ASSETS

Current Assets:

Cash	\$ 41,664
Accounts Receivable	14,566
Prepaid Expenses	<u>1,959</u>
Total Current Assets	58,189

Buildings and Equipment at Cost	
Less Accumulated Depreciation	
of \$72,178	<u>20,112</u>

Total Assets	\$ <u>78,301</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ 185
Accrued Expenses	<u>7,291</u>
Total Current Liabilities	7,476

Net Assets:

Unrestricted	<u>70,825</u>
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Total Net Assets	<u>70,825</u>
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Total Liabilities and Net Assets	\$ <u>78,301</u>
-------------------------------------	------------------

The accompanying notes are an integral part of this statement.

St. James Association for Retarded Children, Inc.

STATEMENT OF ACTIVITIES

for the year ended December 31, 1997

	<u>UNRESTRICTED</u>			
	<u>OPERATING</u>	<u>SHELTER</u>	<u>ACTIVITY</u>	<u>TOTAL</u>
<b>Support and Revenue:</b>				
Contributions	\$ 5,073	\$ -	\$ -	\$ 5,073
United Way Allocations	14,168	-	-	14,168
Grants	98,698	-	-	98,698
Dues	1,267	-	-	1,267
Donations from Parish	3,600	-	-	3,600
Candle Sales	-	6,544	-	6,544
Janitorial Services	-	-	6,654	6,654
<b>Total Revenue</b>	<b>122,806</b>	<b>6,544</b>	<b>6,654</b>	<b>136,004</b>
<b>Expenses:</b>				
Program Services	97,276	7,068	8,252	112,596
Management and General	23,065	-	-	23,065
<b>Total Expenses</b>	<b>120,341</b>	<b>7,068</b>	<b>8,252</b>	<b>135,661</b>
<b>Change in Net Assets</b>	<b>2,465</b>	<b>(524)</b>	<b>(1,598)</b>	<b>343</b>
<b>Net Assets - Beginning of Year</b>	<b>64,383</b>	<b>1,179</b>	<b>4,920</b>	<b>70,482</b>
<b>Net Assets - End of Year</b>	<b>\$ 66,848</b>	<b>\$ 655</b>	<b>\$ 3,322</b>	<b>\$ 70,825</b>

The accompanying notes are an integral part of this statement.

St. James Association for Retarded Children, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended December 31, 1997

	<u>MANAGEMENT AND GENERAL</u>	<u>PROGRAM SERVICES OPERATING</u>	<u>SHELTER</u>	<u>ACTIVITY</u>	<u>TOTAL PROGRAM SERVICES</u>	<u>TOTAL PROGRAM SERVICES AND MANAGEMENT AND GENERAL</u>
Salaries	\$ 18,284	\$ 62,795	\$ 3,393	\$ 8,252	\$ 74,440	\$ 92,724
Payroll Taxes	2,272	7,802	-	-	7,802	10,074
Accounting	500	-	-	-	-	500
Depreciation	480	4,321	-	-	4,321	4,801
Dues and Sub- scriptions	-	3,395	-	-	3,395	3,395
Insurance and Utilities	929	8,362	-	-	8,362	9,291
Miscellaneous	-	4,799	35	-	4,834	4,834
Printing and Postage	-	462	-	-	462	462
Rent	360	3,240	-	-	3,240	3,600
Supplies	-	1,859	3,640	-	5,499	5,499
Telephone	<u>240</u>	<u>241</u>	<u>-</u>	<u>-</u>	<u>241</u>	<u>481</u>
<b>Total Expenses</b>	<b>\$ 23,065</b>	<b>\$ 97,276</b>	<b>\$ 7,068</b>	<b>\$ 8,252</b>	<b>\$112,596</b>	<b>\$135,661</b>

The accompanying notes are an integral part of this statement.



St. James Association for Retarded Children, Inc.

STATEMENT OF CASH FLOWS

for the year ended December 31, 1997

Cash Flows From Operating Activities:	
Change in Net Assets	\$ 343
Adjustments to Reconcile Change in	
Net Cash Provided by Operating Activities:	
Depreciation	4,801
Changes in Current Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	590
(Increase) Decrease in Prepaid Expense	541
Increase (Decrease) in Accounts Payable	(249)
Increase (Decrease) in Accrued Expenses	<u>1,398</u>
Net Cash Provided by Operating	
Activities	<u>7,424</u>
Net Increase in Cash	7,424
Cash - Beginning of Year	<u>34,240</u>
Cash - End of Year	<u>\$ 41,664</u>

The accompanying notes are an integral part of this statement.

St. James Association for Retarded Children, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 1997

Note 1 - Summary of Significant Accounting Policies -

Organization

St. James Association for Retarded Children, Inc. ("the Organization") is a nonprofit corporation organized under the laws of the State of Louisiana for the purpose of providing various developmental programs to mentally and physically handicapped citizens. The Organization performs daily activities and exercises with the citizens, as well as supervises jobs performed by the citizens for the community, such as candle-making and janitorial services. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board on its 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, as applicable. At December 31, 1997, all the Organization's net assets are considered unrestricted.

Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents for purposes of reporting cash flows.

Property and Equipment

Expenditures for the acquisition of property and equipment are capitalized at cost. The fair value of donated property and equipment is similarly capitalized. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.



### Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

### Contributed Services

The Organization recognizes contribution revenue for certain services received at the fair value of those services provided those services create or enhance nonfinancial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the year ended December 31, 1997, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

### Contributions

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose of 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. All contributions received during the year ended December 31, 1997 were considered unrestricted.

### Contributed Facilities

The Organization occupies, without charge, the land upon which their counseling center is located. The estimated fair rental value (\$3,600) of the land is reported as support and expense in these financial statements.

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON THE INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS



**Hannis T. Bourgeois, L.L.P.**

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1111 S. Range Avenue, Suite 101  
Denham Springs, LA 70726

May 29, 1998

To the Board of Directors  
St. James Association for  
Retarded Children, Inc.  
Vacherie, Louisiana

We have audited the financial statements of St. James Association for Retarded Children, Inc. as of and for the year ended December 31, 1997 and have issued our report thereon dated May 29, 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 St. James Association for Retarded Children, Inc.'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 St. James Association for Retarded Children, Inc.'s internal control over financial reporting in order to determine our 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 a relatively 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of St. James Association for Retarded Children, Inc. in a separate letter dated May 29, 1998.

This report is intended for the Board of Directors, management, the Office of the Louisiana Legislative Auditor and any cognizant agency and should not be used for any other purpose.

Respectfully submitted,

*Hannis T. Bourgeois, LLP*

**PARISH CLERK OF COURT**

**LSA-RS 24:516 provides that this report shall be available for public inspection for a period of not less than one year from the date of receipt.**

**Legislative Auditor**

**ST. JAMES ASSOCIATION FOR  
RETARDED CHILDREN, INC.**

**MANAGEMENT LETTER**

**DECEMBER 31, 1997**

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**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 \_\_\_\_\_**





**Hannis T. Bourgeois, L.L.P.**

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1111 S. Range Avenue, Suite 101  
Denham Springs, LA 70726

**March 29, 1998**

To the Board of Directors  
St. James Association for  
Retarded Children, Inc.  
Vacherie, Louisiana

In planning and performing our audit of the financial statements of St. James Association for Retarded Children, Inc. ("the Organization") for the year ended December 31, 1997, we considered the Organization's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control structure.

However, during the audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. (We previously reported on the Organization's internal control structure in our report dated May 29, 1998.) This letter does not affect our report dated May 29, 1998, on the financial statements of the Organization.

#### **PAYROLL**

##### *Finding:*

During the course of our current year audit, it was noted that authorized pay rates were not formally documented in employee personnel files.

##### *Recommendation:*

We recommend that an authorized pay rate form be completed for each employee and placed in their personnel file. This form should then be updated as necessary to reflect changes in pay rates for raises, etc. This form should be signed by the director and the employee.

##### *Finding:*

During the course of our current year audit it was noted that wages of approximately \$11,600 were paid to clients through the Organization's shelter and activity accounts for candle making and janitorial services. Based on our discussions with your personnel, we were informed that payroll taxes were not paid on these wages.



To the Board of Directors  
St. James Association for  
Retarded Children, Inc.  
May 29, 1998  
Page 2

*Recommendation:*

We recommend that in an effort to avoid any potential delinquent payroll tax liabilities, your Organization should research if wages paid to these clients are excludable for payroll tax purposes. Our firm would be available to assist in researching this matter.

**ORGANIZATIONAL STRUCTURE**

*Finding:*

The size of the Organization's accounting and administrative staff precludes certain internal control that would be preferred if the office staff were large enough to provide for adequate segregations of duties. This situation dictates that the Board of Directors be actively involved in the financial affairs of the Organization to provide oversight and review functions.

*Recommendation:*

We recommend that the Organization's Board of Directors continue to be actively involved in the financial affairs of the Organization.

**CASH DISBURSEMENTS**

*Finding:*

During our testing of cash disbursements it was noted that approval of invoices for payment were not being properly documented. It was also noted that although the check number and date of payment were noted on the invoices, the invoice was not stamped paid.

*Recommendation:*

We recommend that the Organization utilize a paid stamp whereby all invoices would be stamped paid with proper initials authorizing the payment being indicated as well as the check number, date of payment, and general ledger account number charged. By implementing these procedures, internal controls over cash disbursements would be greatly strengthened.

**GENERAL LEDGER**

*Finding:*

During the course of our current year audit, it came to our attention that the transactions occurring in the Organization's shelter and activity checking accounts were not being recorded in the general ledger. These transactions have since been scheduled and are properly included in our audit report.

To the Board of Directors  
St. James Association for  
Retarded Children, Inc.  
May 29, 1998  
Page 3

*Recommendation:*

We recommend that the Organization begin including the transactions occurring in these two checking accounts in the general ledger.

**BUDGET**

*Finding:*

During the course of our current year audit, it was noted that an annual operating budget was not prepared.

*Recommendation:*

We recommend that an annual budget be prepared on a timely basis. This budget should then be compared to actual revenues and expenses periodically, in order to better monitor revenues and expenses of the Organization.

This report is intended for the Board of Directors, management, the Office of Louisiana Legislative Auditors and any cognizant agency and should not be used for any other purpose.

Respectfully submitted,

*Hannis T. Bourgeois, LLP*