

THE SCHLAFFER GROUP, LTD.

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THE ARC OF ST. CHARLES, INC.

FINANCIAL STATEMENTS
(AUDIT REPORT)

JUNE 30, 1998 AND 1997

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 OCT 28 1998

CERTIFIED PUBLIC ACCOUNTANTS

THE ARC OF ST. CHARLES, INC.
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INDEPENDENT AUDITOR'S REPORT


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

We have audited the accompanying statements of financial position of The Arc of St. Charles, Inc. (a nonprofit organization) 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 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. 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 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, 1998 and 1997, 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.


Kernion T. Schafer, President
Certified Public Accountant

September 1, 1998

THE ARC OF ST. CHARLES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 1998 AND 1997

ASSETS

	<u>1998</u>	<u>1997</u>
<u>Current Assets</u>		
Cash	\$ 69,843	\$ 31,155
Accounts Receivable	<u>38,854</u>	<u>22,182</u>
Total Current Assets	<u>108,697</u>	<u>53,337</u>
 <u>Property & Equipment</u>		
Building	59,596	59,596
Furniture & Equipment	25,065	21,775
Vehicles	<u>71,255</u>	<u>107,298</u>
Total Property and Equipment	155,916	188,669
Less: Accumulated Depreciation	(<u>64,274</u>)	(<u>111,526</u>)
Net Property & Equipment	<u>91,642</u>	<u>77,143</u>
 <u>Other Assets</u>		
Deposits	<u>234</u>	<u>233</u>
Total Other Assets	<u>234</u>	<u>233</u>
 TOTAL ASSETS	 \$ <u>200,573</u>	 \$ <u>130,713</u>

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

THE ARC OF ST. CHARLES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 1998 AND 1997

LIABILITIES AND NET ASSETS

	<u>1998</u>	<u>1997</u>
<u>Current Liabilities</u>		
Accounts Payable	\$ 7,187	\$ 3,588
Payroll Taxes Payable	1,801	1,973
Accrued Payroll	9,449	4,576
Current Portion of Long-Term Debt	846	1,250
Insurance Payable	<u>-</u>	<u>1,611</u>
Total Current Liabilities	<u>19,283</u>	<u>12,998</u>
<u>Long-Term Liabilities</u>		
Note Payable - G.E.	846	1,250
Less: Current Portion Included Above	<u>(846)</u>	<u>(1,250)</u>
Total Long-Term Liabilities	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>19,283</u>	<u>12,998</u>
<u>Net Assets</u>		
Unrestricted	181,290	117,715
TOTAL NET ASSETS	<u>181,290</u>	<u>117,715</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>200,573</u>	\$ <u>130,713</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, 1998 AND 1997

INCREASE (DECREASE) IN
UNRESTRICTED NET ASSETS

	<u>1998</u>	<u>1997</u>
<u>Support</u>		
Dept. of Health & Human Services - Office of Citizens with Developmental Disabilities	\$ 154,899	\$ 154,878
Dept. of Health & Human Services - Medicaid	30,247	37,722
Res-Care, Inc.	43,504	31,267
Vocational Rehabilitation	20,448	28,141
Respite	7,336	5,833
Supported Employment	52,962	-
Oil Sorbent Productions	2,185	-
Indirect Public Support	1,848	1,000
Janitorial/Lawn Care	84,838	74,858
Car Washing	253	889
Ceramics	110	1,512
United Way	30,475	31,779
Miscellaneous	247	530
Cash Contributions	5,921	5,875
Dues	648	-
Sale of Assets	610	-
Vending Machines	442	914
Investment Return	<u>725</u>	<u>42</u>
 TOTAL SUPPORT	 <u>437,698</u>	 <u>375,240</u>
 <u>Expenses</u>		
Program Services	281,204	280,660
Supporting Services	<u>92,919</u>	<u>83,823</u>
 TOTAL EXPENSES	 <u>374,123</u>	 <u>364,483</u>
 INCREASE IN UNRESTRICTED NET ASSETS	 \$ <u>63,575</u>	 \$ <u>10,757</u>
 Increase in Net Assets	 \$ 63,575	 \$ 10,757
Net Assets, Beginning of Year	<u>117,715</u>	<u>106,958</u>
Net Assets, End of Year	\$ <u>181,290</u>	\$ <u>117,715</u>

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

THE ARC OF ST. CHARLES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 1998 AND 1997

	<u>PROGRAM SERVICES</u>		<u>SUPPORTING SERVICES</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Payroll - Staff	\$ 154,067	\$ 181,955	\$ 42,765	\$ 46,688
Payroll - Clients	46,152	18,952	-	-
Payroll Taxes	16,586	18,010	3,664	3,718
Insurance - Health	1,869	2,842	2,850	399
Professional Fees	-	-	5,270	1,800
Awards	-	-	500	1,300
Bank Charges	-	-	78	26
Dues	-	-	2,085	2,250
Entertainment	-	-	2,075	1,094
Alarm	-	-	381	707
Liability Insurance	14,218	16,009	2,225	2,279
Janitorial	-	-	-	94
Licenses	103	795	244	351
Maintenance & Repairs	7,023	6,064	1,330	265
Meeting Expense	-	-	245	158
Miscellaneous	-	339	1,098	268
Postage	-	-	704	535
Supplies	19,951	16,923	5,276	4,280
Telephone	156	-	6,045	5,994
Travel & Seminars	3,088	4,027	2,703	1,007
Fuel	6,214	14,744	-	-
Transportation Expense	10,020	-	2,900	3,588
Property Insurance	-	-	-	2,287
Insurance - General	-	-	1,538	875
Life Insurance	148	-	-	-
Advertising	713	-	-	-
Job Coach	896	-	-	-
Interest Expense	-	-	877	-
Depreciation	-	-	8,066	3,860
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	\$ <u>281,204</u>	\$ <u>280,660</u>	\$ <u>92,919</u>	\$ <u>83,823</u>

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

THE ARC OF ST. CHARLES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Net Income	\$ 63,575	\$ 10,757
Non Cash Items Included in Net Income:		
Gain on Sale	(610)	-
Depreciation	8,066	3,860
(Increase) Decrease in Current Assets:		
Accounts Receivable	(16,673)	7,454
Increase (Decrease) in Current Liabilities:		
Accounts Payable	3,599	(907)
Payroll Taxes Payable	(172)	(1,013)
Accrued Payroll	4,873	(8,409)
Insurance Payable	(1,611)	<u>1,611</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>61,047</u>	 <u>13,353</u>
 <u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
Proceeds From Sale of Assets	1,610	-
Purchase of Property & Equipment	(23,565)	(5,465)
 NET CASH (USED) BY INVESTING ACTIVITIES	 <u>(21,955)</u>	 <u>(5,465)</u>
 <u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
Note Payable - G.E. Capital	(404)	(1,396)
 NET CASH (USED) BY FINANCING ACTIVITIES	 <u>(404)</u>	 <u>(1,396)</u>
 Net Increase in Cash	 38,688	 6,492
Cash, Beginning of Year	<u>31,155</u>	<u>24,663</u>
Cash, End of Year	\$ <u>69,843</u>	\$ <u>31,155</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, 1998 AND 1997

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-vocational, 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 long those 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.

(notes continued)

E. Financial Statement Presentation

In 1997, 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 1998 or 1997.

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 disclosure 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 those 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 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 susceptible 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 expense 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, 1997, 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 REVENUES

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 22 years of age in St. Charles Parish. The areas of training include self-help, social skills, pre-vocational, independent living, mobile work crews and behavioral skills. Under the agreement, for the fiscal years ended June 30, 1998 and 1997, the Department of Health and Hospitals will pay \$93,391 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 service provided to each individual client and the complexity of the individual's needs.

The organization also entered into a contract with Res-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 RECEIVABLE

Contract receivable consists of services provided but not yet received as of June 30, 1998 and 1997, is made up of the following:

	<u>1998</u>	<u>1997</u>
Dept. of Health & Hospitals	\$ 7,783	\$ 7,782
Dept. of Health & Hospitals - Medicaid	3,847	3,778
Res-Care, Inc.	10,014	5,119
Vocational Rehabilitation	6,263	-
Supported Employment	2,207	-
Oil Sorbent Production	981	-
Lawn/Janitorial	<u>7,759</u>	<u>5,503</u>
	\$ <u>38,854</u>	\$ <u>22,182</u>

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 Res-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, 1998 and 1997. 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 \$2,232.50. The lease requires 36 monthly payments of \$116.64.

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 Boutte Activity Center and home. The cost is \$4.00 per passenger. This agreement can be cancelled by either party with 30 day notice.

14. EMPLOYEE RETIREMENT PLAN

The Board of Directors has elected to participate in an employee retirement plan. The organization did not match contributions for the fiscal year ended June 30, 1998, and employees may participate on a voluntary basis.

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

To the Board of Directors
The Arc of St. Charles, Inc.
Boutte, 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, 1998 and 1997, and have issued our report thereon dated September 1, 1998.

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.

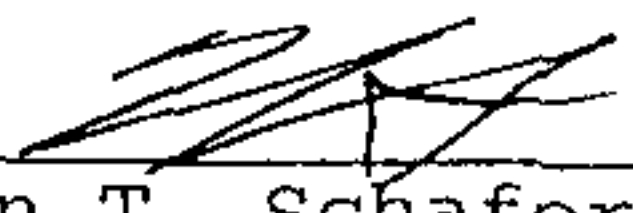
The management of The Arc of St. Charles, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies 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, 1998 and 1997, 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 SCHAFER GROUP, LTD.



Kernion T. Schafer, President
Certified Public Accountant

September 1, 1998

THE SCHAFER GROUP, LTD.

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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
The Arc of St. Charles, Inc.
Boutte, 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, 1998 and 1997, and have issued our report thereon dated September 1, 1998.


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 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 SCHAFER GROUP, LTD.


Kernion T. Schafer, President
Certified Public Accountant

September 1, 1998