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THE ARC OF MOREHOUSE

**Financial Statements
For the Year Ended June 30, 1999**

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. This 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 12-8-99

THE ARC OF MOREHOUSE

JUNE 30, 1999

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John L. Luffey, MBA, CPA
Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Atteberry, CPA
Carolyn A. Clarke, CPA

INDEPENDENT AUDITORS' REPORT

**Board of Directors
The ARC OF Morehouse
Bastrop, Louisiana**

We have audited the accompanying statement of financial position of **The ARC of Morehouse** (a nonprofit organization - the Association) as of June 30, 1999, and the accompanying statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Association'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 for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide* published by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. 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 Association as of June 30, 1999, and the results of its operations 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 October 22, 1999, on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**Board of Directors
The ARC of Morehouse**

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as Supplemental Schedules in the accompanying Index are presented for purposes of additional analysis and are not a required part of the financial statements of the Association. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Jeffrey Hoffman & Associates". The signature is written in a cursive, flowing style.

(A Professional Accounting Corporation)

October 22, 1999

THE ARC OF MOREHOUSE
STATEMENT OF FINANCIAL POSITION
June 30, 1999

ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 70,930	\$ -	\$ 70,930
Certificates of Deposit	310,195	-	310,195
Accounts Receivable	181,243	-	181,243
Interest Receivable	1,698	-	1,698
Fixed Assets	584,764	29,130	613,894
Accumulated Depreciation	(286,917)	(1,942)	(288,859)
Other Assets	16,982	-	16,982
TOTAL ASSETS	\$ <u>878,895</u>	\$ <u>27,188</u>	\$ <u>906,083</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts Payable	\$ 24,077	\$ -	\$ 24,077
Accrued Liabilities	59,993	-	59,993
Total Liabilities	<u>84,070</u>	-	<u>84,070</u>
Net Assets			
Unrestricted net assets	794,825	-	794,825
Temporarily restricted net assets	-	27,188	27,188
Total Net Assets	<u>794,825</u>	<u>27,188</u>	<u>822,013</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>878,895</u>	\$ <u>27,188</u>	\$ <u>906,083</u>

The accompanying notes are an integral part of this financial statement.

**THE ARC OF MOREHOUSE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support, Revenues and Gains			
Intergovernmental Revenue	\$ 1,333,835	\$ -	\$ 1,333,835
Program Receipts	204,489	-	204,489
United Fund	11,287	-	11,287
Donations	1,608	-	1,608
Memberships	2,035	-	2,035
Interest	12,218	-	12,218
Miscellaneous	26,326	-	26,326
Net realized gains (losses)	(3,065)	12,848	9,783
Net assets released from restrictions			
Expiration of time restrictions	3,790	(3,790)	-
Total Support and Revenues	<u>1,592,523</u>	<u>9,058</u>	<u>1,601,581</u>
Expenses			
Program Services			
Day Program	248,045	9,702	257,747
Contract Services	88,454	-	88,454
Supported Living	526,063	-	526,063
East Morehouse Community Home	220,971	-	220,971
Crossett Road Community Home	222,585	-	222,585
Early Intervention	5,949	-	5,949
Total of Program Services	<u>1,312,067</u>	<u>9,702</u>	<u>1,321,769</u>
Supporting Services			
General and Administrative	212,407	-	212,407
Total Expenses	<u>1,524,474</u>	<u>9,702</u>	<u>1,534,176</u>
Changes in net assets	68,049	(644)	67,405
Net Assets at Beginning of Year	<u>726,776</u>	<u>27,832</u>	<u>754,608</u>
NET ASSETS AT END OF YEAR	<u>\$ 794,825</u>	<u>\$ 27,188</u>	<u>\$ 822,013</u>

The accompanying notes are an integral part of this financial statement.

THE ARC OF MOREHOUSE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 1999

	General and Administrative	Adult Habilitation (Day) Program	Contract Services	Program Supported Living
Consultants	\$ -	\$ 350	\$ -	\$ 18,440
Data Processing	-	2,369	-	4,681
Dues and Subscriptions	784	1,119	-	1,886
Food and Client Needs	2,469	812	1,401	3,189
Insurance	-	17,739	1,602	9,289
Maintenance	-	20,581	-	5,817
Miscellaneous	26	-	-	-
Office	591	1,116	-	1,507
Payroll Taxes and Fringe Benefits	-	17,443	37	56,648
Postage	38	315	-	639
Professional Fees	-	3,149	-	6,381
Public Awareness	365	672	-	409
Salaries	-	180,990	75,306	485,429
Supplies	2,414	7,854	10,108	3,286
Taxes and Licenses	-	1,120	-	1,906
Telephone	-	2,838	-	2,400
Travel and Conventions	15	1,016	-	3,164
Utilities	-	5,274	-	1,983
Total	<u>6,702</u>	<u>264,757</u>	<u>88,454</u>	<u>607,054</u>
Depreciation	<u>15,562</u>	<u>32,949</u>	<u>-</u>	<u>-</u>
Functional expenses before reallocation	22,264	297,706	88,454	607,054
Reallocation of general and administrative expenses from program services (Note 4)	<u>190,143</u>	<u>(39,959)</u>	<u>-</u>	<u>(80,991)</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 212,407</u>	<u>\$ 257,747</u>	<u>\$ 88,454</u>	<u>\$ 526,063</u>

The accompanying notes are an integral part of this financial statement.

Services

Residential Services				
East	Crossett	Early		
Morehouse	Road	Intervention	Total	
\$ 1,298	\$ 7,107	\$ 5,900	\$ 33,095	
2,035	2,049	52	11,186	
635	641	17	5,082	
72,950	68,560	7	149,388	
7,083	6,985	54	42,752	
7,091	6,871	32	40,392	
-	-	-	26	
773	872	16	4,875	
13,598	12,507	47	100,280	
268	270	6	1,536	
2,681	2,699	72	14,982	
172	173	5	1,796	
124,720	122,247	525	989,217	
3,413	9,672	32	36,779	
946	1,069	51	5,092	
1,929	1,959	25	9,151	
655	638	11	5,499	
5,668	4,242	14	17,181	
<u>245,915</u>	<u>248,561</u>	<u>6,866</u>	<u>1,468,309</u>	
9,076	8,280	-	65,867	
254,991	256,841	6,866	1,534,176	
<u>(34,020)</u>	<u>(34,256)</u>	<u>(917)</u>	<u>-</u>	
<u>\$ 220,971</u>	<u>\$ 222,585</u>	<u>\$ 5,949</u>	<u>\$ 1,534,176</u>	

**THE ARC OF MOREHOUSE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 1999**

Cash Flows From Operating Activities	
Increase in net assets	\$ 67,405
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	65,867
(Gain) Loss on disposal of property	(9,783)
Changes in assets and liabilities:	
Accounts receivable	(57,730)
Other assets	(2,602)
Accounts payable	1,367
Accrued liabilities	8,506
Total adjustments	<u>5,625</u>
Net cash provided by operating activities	<u>73,030</u>
 Cash Flows From Investing Activities	
Certificates of deposit	(30,788)
Proceeds from disposal of property and equipment	32,920
Payments for property and equipment	<u>(59,370)</u>
Net cash used by investing activities	<u>(57,238)</u>
 Cash Flows From Financing Activities	<u>-</u>
 Net increase in cash and cash equivalents	15,792
 Beginning cash and cash equivalents	<u>55,138</u>
 ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 70,930</u></u>

The accompanying notes are an integral part of this financial statement.

**THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

Note 1 - Description of Organization

The ARC of Morehouse is a nonprofit voluntary health and welfare association chartered in 1958 to promote the general welfare of mentally retarded persons residing in Morehouse Parish.

Note 2 - Summary of Significant Accounting Policies

A. Financial Statement Presentation

In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Associations," the Association 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) based upon the existence or absence of donor-imposed restrictions.

In accordance with the SFAS No. 116, "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Association has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets.

B. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

C. Cash and Cash Equivalents

The Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

D. Plant Assets

Plant assets are recorded at historical cost. Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. The Association has a policy to capitalize plant assets costing more than \$500. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and the gain or loss is included in operations.

**THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

Depreciation of buildings and equipment is computed by the straight-line method over the following estimated service lives:

	<u>Years</u>
Buildings and Improvements	15-30
Furniture and Equipment	5-10
Vehicles	3-5

E. Support and Revenues

Revenues received under government grant programs are recorded as revenues when the Association has incurred expenditures in compliance with the specific restrictions. Donations are considered to be available for unrestricted use unless specifically restricted by the donor.

F. Functional Expenses

Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical basis.

G. Programs

The Association's principal programs and primary funding sources are:

Adult Habilitation (Day Program) - The Adult Habilitation funds are used to train clients in vocational and prevocational activities and supportive services. The supported employment program was combined with the Day Program in the current year.

Contract Services - Contract Services income is derived from services by clients which include janitorial and other contracts.

Supported Living - Supported Living income is received from the Louisiana Department of Health and Hospitals. This program, similar to the Community Homes, helps the individual clients become more independent by providing support and training in their residences within the community.

Community Homes - Community Homes' income is received from the Louisiana Department of Health and Hospitals. Clients pay a pro-rata share of the costs based on their income. This program provides clients with a home environment within the community and helps them become more independent citizens.

**THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

Early Intervention - Early Intervention's income is received from the Louisiana Department of Health and Hospitals and the Department of Education. This program provides training and therapeutic services to disabled infants.

H. Tax-Exempt Status

The Association is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for Federal income taxes. Contributions to the Association are tax deductible within the limitations prescribed by the Code.

I. 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.

Note 3 - Plant Assets

Fixed assets are recorded at cost when cost can be determined, and at estimated cost when cost is unknown. All donated assets have been recorded at fair value on the date of donation.

Fixed assets consisted of the following at June 30, 1999:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Buildings	\$ 225,054	\$ -
Equipment	136,133	-
Vehicles	150,255	29,130
Improvements	55,502	-
Total	<u>566,944</u>	<u>29,130</u>
Less: Accumulated Depreciation	286,917	1,942
Net Depreciable Assets	<u>280,027</u>	<u>27,188</u>
Land	17,820	-
TOTAL FIXED ASSETS	\$ <u>297,847</u>	\$ <u>27,188</u>

Temporarily restricted vehicles include a van obtained through a grant from the state's Urban Mass Transit Association, UMTA. The Association is required to maintain the van during the first five years of use after which the Department of Transportation will determine if the vehicle is eligible for disposition.

**THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

Note 4 – Allocation of General Administrative Expenses

For presentation purposes on the Statement of Functional Expenses, general and administrative expenses are included in each expense category for all program services. The total general and administrative expenses for each program is then reallocated out of program service expense to general and administrative. The following is the detail of the \$190,143 of general and administrative expenses reallocated.

Data Processing	\$ 10,710
Dues & Subscriptions	3,554
Food and Client Needs	1,183
Insurance	11,382
Maintenance	6,689
Office	3,000
Payroll Taxes and Fringe Benefits	9,869
Postage	1,500
Professional Fees	14,982
Public Awareness	1,277
Salaries	108,837
Supplies	6,809
Telephone	5,150
Travel and Conventions	2,276
Utilities	2,925
TOTAL	\$ <u>190,143</u>

Note 5 - Significant Concentrations of Risk

The Association's cash and cash investments are on deposit with several federally insured financial institutions. The bank balance of these funds totaled \$380,216 at year-end, all of which was insured.

The Association receives approximately 80% of total revenue and support from various state agencies.

Note 6 - Commitments and Contingencies

The worldwide challenge facing organizations, commonly referred to as the Year 2000 (Y2K) issue, is the result of problems that may be encountered with date-related transactions on systems that have historically recognized years using two digits vs. four digits, e.g. 98 versus 1998. These systems will potentially recognize the "00" as the year 1900 instead of 2000. On the surface, the Y2K problem sounds simple enough; however,

**THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

the implications of this problem are far reaching and could impact a full range of business services and activities.

The Association has conducted a study of its own systems and operations. Based on this study, the Association has initiated a project to take all necessary and reasonable steps to get the *mission critical systems and operations* Y2K compliant in a timely manner. The project will include confirming the Y2K preparedness of significant third parties.

The timetable for the planned completion of the internal Y2K modifications are management's estimates. The estimates were based on numerous assumptions as to future events. There can be no guarantee that these estimates will prove accurate, and actual results could differ from those estimated if these assumptions prove inaccurate. Additionally, there can be no absolute guarantee that significant third parties will successfully and timely convert their systems.

SUPPLEMENTAL SCHEDULES

**THE ARC OF MOREHOUSE
SCHEDULE OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Program</u>			
	<u>Local Fund</u>	<u>Vocational (Day) Program</u>	<u>Contract Services</u>	<u>Supported Living</u>
ASSETS				
Cash and Cash Equivalents	\$ 69,101	\$ -	\$ -	\$ -
Certificates of Deposit	310,195	-	-	-
Accounts Receivable	-	20,522	7,456	91,028
Interest Receivable	1,698	-	-	-
Due From Other Funds	211,408	495,152	9,702	87,847
Fixed Assets	613,894	-	-	-
Accumulated Depreciation	(288,859)	-	-	-
Other Assets	6,543	1,549	100	7,505
TOTAL ASSETS	\$ <u>923,980</u>	\$ <u>517,223</u>	\$ <u>17,258</u>	\$ <u>186,380</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts Payable	\$ 2,594	\$ 1,351	\$ 685	\$ 2,743
Accrued Liabilities	-	9,697	3,845	28,639
Due To Other Funds	461,315	277,856	21,298	-
Total Current Liabilities	<u>463,909</u>	<u>288,904</u>	<u>25,828</u>	<u>31,382</u>
Unrestricted Net Assets	432,883	228,319	(8,570)	154,998
Temporarily Restricted Net Assets	<u>27,188</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Assets	<u>460,071</u>	<u>228,319</u>	<u>(8,570)</u>	<u>154,998</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>923,980</u>	\$ <u>517,223</u>	\$ <u>17,258</u>	\$ <u>186,380</u>

SCHEDULE 1

Services

Residential Services			
East Morehouse	Crossett Road	Early Intervention	Total
\$ 1,351	\$ 478	\$ -	\$ 70,930
-	-	-	310,195
25,924	35,052	1,261	181,243
-	-	-	1,698
133,177	103,518	17,569	1,058,373
-	-	-	613,894
-	-	-	(288,859)
517	747	21	16,982
<u>\$ 160,969</u>	<u>\$ 139,795</u>	<u>\$ 18,851</u>	<u>\$ 1,964,456</u>
\$ 2,379	\$ 13,099	\$ 1,226	\$ 24,077
8,588	9,202	22	59,993
143,319	150,471	4,114	1,058,373
<u>154,286</u>	<u>172,772</u>	<u>5,362</u>	<u>1,142,443</u>
6,683	(32,977)	13,489	794,825
-	-	-	27,188
<u>6,683</u>	<u>(32,977)</u>	<u>13,489</u>	<u>822,013</u>
<u>\$ 160,969</u>	<u>\$ 139,795</u>	<u>\$ 18,851</u>	<u>\$ 1,964,456</u>

**THE ARC OF MOREHOUSE
SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1999**

	Program			
	Local Fund	Vocational (Day) Program	Contract Services	Supported Living
Revenues and Other Support				
Intergovernmental Revenue	\$ -	\$ 240,280	\$ -	\$ 579,643
Program Receipts	-	100,019	66,602	-
United Fund	-	-	9,937	-
Donations	1,608	-	-	-
Memberships	1,990	-	45	-
Interest	11,115	-	1,103	-
Miscellaneous	24,144	115	1,473	-
Net Realized Gains	9,783	-	-	-
Total Revenues and Other Support	<u>48,640</u>	<u>340,414</u>	<u>79,160</u>	<u>579,643</u>
Expenses				
Program Services				
Day Program	-	264,757	-	-
Contract Services	-	-	88,454	-
Supported Living	-	-	-	607,054
East Morehouse Community Home	-	-	-	-
Crossett Road Community Home	-	-	-	-
Early Intervention	-	-	-	-
Total Program Services	<u>-</u>	<u>264,757</u>	<u>88,454</u>	<u>607,054</u>
Local Fund	<u>6,702</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses before Depreciation	6,702	264,757	88,454	607,054
Depreciation	<u>15,562</u>	<u>32,949</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>22,264</u>	<u>297,706</u>	<u>88,454</u>	<u>607,054</u>
EXCESS (Deficiency) of REVENUES OVER EXPENSES	<u>\$ 26,376</u>	<u>\$ 42,708</u>	<u>\$ (9,294)</u>	<u>\$ (27,411)</u>

SCHEDULE 2

Services

Residential Services			
East Morehouse	Crossett Road	Early Intervention	Total
\$ 245,122	\$ 266,290	\$ 2,500	\$ 1,333,835
30,084	7,784	-	204,489
-	-	1,350	11,287
-	-	-	1,608
-	-	-	2,035
-	-	-	12,218
594	-	-	26,326
-	-	-	9,783
275,800	274,074	3,850	1,601,581
-	-	-	264,757
-	-	-	88,454
-	-	-	607,054
245,915	-	-	245,915
-	248,561	-	248,561
-	-	6,866	6,866
245,915	248,561	6,866	1,461,607
-	-	-	6,702
245,915	248,561	6,866	1,468,309
9,076	8,280	-	65,867
254,991	256,841	6,866	1,534,176
\$ 20,809	\$ 17,233	\$ (3,016)	\$ 67,405

**THE ARC OF MOREHOUSE
SCHEDULE OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 1999**

<u>Grantor Program/Program Title</u>	<u>Grant Assistance I.D. Number</u>	<u>State Award Amount</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Total State Revenue to June 30, 1999</u>
Louisiana Department of Health and Hospitals Office for Citizens With Developmental Disabilities Early Intervention Program	000172	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
Office for Citizens With Developmental Disabilities Adult Habilitation (Day) Program	000109	<u>186,883</u>	<u>186,883</u>	<u>186,883</u>	<u>186,883</u>
TOTAL STATE AWARDS		<u>\$ 189,383</u>	<u>\$ 189,383</u>	<u>\$ 189,383</u>	<u>\$ 189,383</u>

See Notes to Schedule of State Awards

**THE ARC OF MOREHOUSE
NOTES TO SCHEDULES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 1999**

General

The schedule of State Awards presents all state awards programs of The ARC of Morehouse (the Association).

Basis of Accounting

The Schedule of State Awards is prepared on the accrual basis of accounting, which is discussed in Note 1 to the Association's financial statements.

Relationship to the Association's Financial Statements

The following table is presented to reconcile the state awards received under various grant programs to the Association's financial statements.

	<u>State Awards</u>	<u>Fees For Services</u>	<u>Total Intergovernmental Revenue</u>
Adult Habilitation (Day) Program	\$ 186,883	\$ 53,397	\$ 240,280
Supported Living	-	579,643	579,643
East Morehouse Community Home	-	245,122	245,122
Crossett Road Community Home	-	266,290	266,290
Early Intervention	2,500	-	2,500
TOTALS	\$ 189,383	\$ 1,144,452	\$ 1,333,835

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF COMPONENT
UNIT FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Board of Directors
The ARC of Morehouse
Bastrop, Louisiana**

We have audited the financial statements of **The ARC of Morehouse** (the Association) as of and for the year ended June 30, 1999 and have issued our report thereon dated October 22, 1999. We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

Compliance

As part of obtaining reasonable assurance about whether the Association'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 Association'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 considered 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

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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.

This report is intended solely for the information and use of management of the Association, its oversight agency, other entities granting funds to the Association and the Legislative Auditor for the state of Louisiana. However, this report is a matter of public record and its distribution is not limited.



(A Professional Accounting Corporation)

October 22, 1999