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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

ARC OF IBERIA

FINANCIAL REPORT

JUNE 30, 1998

C O N T E N T S

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
ARC of Iberia
New Iberia, Louisiana 70560

We have audited the accompanying statements of financial position of ARC of Iberia (a nonprofit organization) as of June 30, 1998 and 1997 and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits 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. 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 audits provide 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 ARC of Iberia as of June 30, 1998 and 1997, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated October 16, 1998, on our consideration of ARC of Iberia's compliance with laws and regulations and on its internal control structure.

New Iberia, Louisiana
October 16, 1998

ARC OF IBERIA

STATEMENTS OF FINANCIAL POSITION
June 30, 1998 and 1997

ASSETS	1998	1997
CURRENT ASSETS		
Cash	$ 316,775	$ 351,624
Investments	109,960	186,451
Receivables	30,864	19,635
Due from other agencies	300,243	236,837
Inventory	4,004	2,750
Prepaid expenses	3,672	2,345
Other current assets	22,798	22,260
Total current assets	$ 788,316	$ 821,902
FIXED ASSETS		
Property and equipment, net	$1,170,505	$1,151,384
RESTRICTED CASH		
Respite building fund	$ 4,665	$ 3,075
Total assets	$1,963,486	$1,976,361
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS		
Accounts payable	$ 76,447	$ 85,525
Accrued liabilities	86,431	61,478
Current maturities of long-term debt	20,185	33,411
Current portion of capital lease obligations	5,194	14,202
	$ 188,257	$ 194,616
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Current portion of long-term debt	$ 3,457	$ 3,075
Total current liabilities	$ 191,714	$ 197,691
LONG-TERM LIABILITIES		
Long-term debt, less current maturities	$ 272,257	$ 353,910
Capital lease obligations, less current portion	8,859	14,064
Total long-term liabilities	$ 281,116	$ 367,974
Total liabilities	$ 472,830	$ 565,665
NET ASSETS		
Unrestricted	$1,440,853	$1,372,510
Temporarily restricted	49,803	38,186
Total net assets	$1,490,656	$1,410,696
Total liabilities and net assets	$1,963,486	$1,976,361

See Notes to Financial Statements.

ARC OF IBERIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 1998

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT:			
Contributions	$ 34,625	$ 44,760	$ 79,385
Program revenue	3,176,932	-	3,176,932
Interest revenue	15,166	-	15,166
Membership revenue	1,255	-	1,255
Miscellaneous revenue	33,516	-	33,516
Gain on sale of fixed assets	1,100	-	1,100
Net assets released from restrictions:			
Satisfaction of program restrictions	19,085	(19,085)	-
Expiration of time restrictions	14,058	(14,058)	-
Total revenues and other support	$ 3,295,737	$ 11,617	$ 3,307,354
EXPENSES:			
ARC Unlimited program	$ 1,204,782	$ -	$ 1,204,782
Outreach Services program	8,595	-	8,595
Independent Living program	452,340	-	452,340
Residential Services program	674,498	-	674,498
Respite Services program	638,947	-	638,947
Management and general	248,232	-	248,232
Total expenses	$ 3,227,394	$ -0-	$ 3,227,394
Changes in net assets	$ 68,343	$ 11,617	$ 79,960
Net assets at beginning of year	1,372,510	38,186	1,410,696
Net assets at end of year	$ 1,440,853	$ 49,803	$ 1,490,656

See Notes to Financial Statements.

ARC OF IBERIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 1997

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT:			
Contributions	$ 30,599	$ 65,210	$ 95,809
Program revenue	2,610,311	-	2,610,311
Interest revenue	15,524	-	15,524
Membership revenue	2,010	-	2,010
Miscellaneous revenue	8,989	-	8,989
Gain on sale of fixed assets	6,400	-	6,400
Net assets released from restrictions:			
Satisfaction of program restrictions	55,272	(55,272)	-
Expiration of time restrictions	7,651	(7,651)	-
Total revenues and other support	$ 2,736,756	$ 2,287	$ 2,739,043
EXPENSES:			
ARC Unlimited program	$ 1,071,484	$ -	$ 1,071,484
Outreach Services program	14,027	-	14,027
Independent Living program	283,766	-	283,766
Residential Services program	680,458	-	680,458
Respite Services program	338,601	-	338,601
Management and general	197,743	-	197,743
Total expenses	$ 2,586,079	$ -0-	$ 2,586,079
Changes in net assets	$ 150,677	$ 2,287	$ 152,964
Net assets at beginning of year	1,221,833	35,899	1,257,732
Net assets at end of year	$ 1,372,510	$ 38,186	$ 1,410,696

See Notes to Financial Statements.

ARC OF IBERIA

STATEMENTS OF CASH FLOWS
Years Ended June 30, 1998 and 1997

	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 79,960	$ 152,964
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	130,292	118,512
Gain on sale of fixed assets	(1,100)	(6,400)
(Increase) decrease in receivables	(11,229)	45,417
Increase in due from other agencies	(63,406)	(21,111)
(Increase) decrease in inventories and prepaids	(2,581)	3,812
Increase in other current assets	(538)	(18,143)
Increase (decrease) in accounts payable	(9,078)	46,221
Increase in accrued liabilities	24,953	15,658
Net cash provided by operating activities	$ 147,273	$ 336,930
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	$ (150,463)	$ (236,527)
Proceeds from sales of fixed assets	2,150	6,400
Proceeds from return of equipment	-	645
(Increase) decrease in investments	76,491	(9,062)
Net cash used in investing activities	$ (71,822)	$ (238,544)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	$ -	$ 71,647
Principal payments on long-term debt	(94,497)	(68,110)
Principal payments on lease obligations	(14,213)	(7,236)
Net cash used in financing activities	$ (108,710)	$ (3,699)
Net increase (decrease) in cash	$ (33,259)	$ 94,687
Cash at beginning of year	354,699	260,012
Cash at end of year	$ 321,440	$ 354,699

See Notes to Financial Statements.

ARC OF IBERIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization:

ARC of Iberia (the "Association") is a Louisiana nonprofit corporation chartered in August 1954. Its purpose is to promote the general welfare of mentally retarded, physically handicapped and incapacitated citizens in Iberia Parish and to aid their parents and families. The following is a description of the various programs.

Operating Fund

The operating fund is used to account for all financial transactions except those required to be accounted for separately by program.

ARC Unlimited

ARC Unlimited is a day program for citizens with mental retardation of the community.

Residential Services

Residential Services provides three homes for adults with mental retardation.

Respite Services

Respite Services allows parents and guardians of those with mental retardation to leave them for short periods of time.

Outreach Services

Included in Outreach Services is Family Service Coordination for infants/toddlers which is a family-focus/family-driven program with a primary goal of helping to empower and strengthen families who have infants/toddlers with special needs. These services were terminated during July 1996.

Outreach Services also includes a program to provide prenatal education for young expecting mothers along with parenting skills with a long-term goal of child abuse prevention.

Independent Living

The Association supervises adults with mental retardation that live in their own home or apartment. These clients require considerably less care than clients living in the residential homes.

The accompanying financial statements of the Association have been prepared on the accrual basis of accounting.

NOTES TO FINANCIAL STATEMENTS

Significant accounting policies:

Support and expenses:

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor 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 in the statement of activities as net assets released from restrictions.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Investments:

Investments which consists of certificates of deposits, are presented in the financial statements at cost which approximates fair market value.

Inventory:

Inventory is stated at the lower of cost or market, with cost determined by the first-in first-out method.

Allowance for doubtful accounts:

The Association considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Restricted cash:

The Association is required to put at least 10% of the monthly payment to FHA under loan provisions for the building acquired for the Respite Services program. These reserved amounts are reflected as restricted cash on the statements of financial position.

Property and equipment:

Purchased property and equipment is recorded at cost at the date of acquisition. Contributed property and equipment is recorded at fair value at the date of donation. In the absence of donor stipulations regarding how long the contributed assets must be used, the Association has adopted a policy of implying a time restriction on contributions of such assets that expires over the assets' useful lives. As a result, all contributions of property and equipment, and of assets contributed to acquire property and equipment, are recorded as restricted support. Depreciation is computed by the straight-line method at rates based on the following estimated useful lives:

	Years
Furniture and equipment	5 - 25
Building and improvements	10 - 30
Transportation equipment	3 - 5

Compensated absences:

Employees of the Association earn one day of leave per month worked for a minimum of twelve days per fiscal year. Annual leave is cumulative from one year to the next, up to a maximum of 240 hours. Upon termination of employment for cause, an employee may be paid for the value of any accrued leave up to a maximum of 240 hours. Any liability for this accumulated leave is determined immaterial to the financial statements at June 30, 1998 and, therefore, not recorded.

Donated services:

The Association receives donated services from unpaid volunteers who assist in program services during the year; however, these donated services are not reflected in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

Federal income taxes:

The Association qualifies for an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

Cash and cash equivalents:

For the purposes of the statement of cash flows, the Association considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Comparative data and restatement:

Comparative total data for the prior year have been presented in order to provide an understanding of changes in the Association's financial position and activities. Comparative data has been reclassified, as necessary, to conform to the 1998 presentation.

Use of 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.

NOTES TO FINANCIAL STATEMENTS

Note 2. Due From Other Agencies

Due from other agencies at June 30, 1998 and 1997 consisted of:

	1998	1997
Due from O.C.D.D.	$ 26,487	$ 26,111
Due from Department of Natural Resources	17,162	17,162
Due from Louisiana Rehabilitation Services	43,468	23,361
Due from Medicaid	181,981	126,570
Due from other facilities	31,145	43,633
	$ 300,243	$ 236,837

Note 3. Property and Equipment

Property and equipment at June 30, 1998 consisted of:

	Historical Costs	Donated Value	Total
Land	$ 56,585	$ 91,750	$ 148,335
Buildings and improvements	1,104,883	25,000	1,129,883
Furniture and equipment	368,402	3,600	372,002
Vehicles	303,618	110,847	414,465
Livestock	850	-	850
	1,834,338	231,197	2,065,535
Less accumulated depreciation	(779,982)	(115,048)	(895,030)
	$1,054,356	$ 116,149	$1,170,505

Total depreciation expense for the year ended June 30, 1998 was $ 130,292 of which $ 11,163 was related to donated assets and $ 2,085 was related to capital lease assets.

For the year ended June 30, 1998, the Association has capital lease assets of $ 48,929, included in equipment, and related accumulated amortization of $ 7,636, which is included in accumulated depreciation.

Property and equipment at June 30, 1997 consisted of:

	Historical Costs	Donated Value	Total
Land	$ 56,585	$ 91,750	$ 148,335
Buildings and improvements	1,014,095	25,000	1,039,095
Furniture and equipment	351,516	3,600	355,116
Vehicles	294,944	92,034	386,978
Livestock	850	-	850
	$1,717,990	$ 212,384	$1,930,374
Less accumulated depreciation	(677,891)	(101,099)	(778,990)
	$1,040,099	$ 111,285	$1,151,384

Note 3. Property and Equipment (Continued)

Total depreciation expense for the year ended June 30, 1997 was $118,512 of which $10,839 was related to donated assets and $1,695 was related to capital lease assets.

For the year ended June 30, 1997, the Association has capital lease assets of $48,929, included in equipment, and related accumulated amortization of $5,551, which is included in accumulated depreciation.

Note 4. Long-Term Debt

Long-term debt at June 30, 1998 and 1997 consisted of the following:

	1998	1997
ARC Unlimited:		
Note payable to Ford Motor Credit, due in monthly installments of $539, bearing interest at 9.50%, collateralized by a security interest in a 1994 Ford truck, maturing October 25, 1997.	$ -	$ 2,155
Mortgage note payable to bank, due in monthly installments of $830, bearing interest at 6.20%, secured by collateral mortgage on Walton Street, maturing March 17, 1999.	65,075	70,365
Residential Services:		
Mortgage note payable to bank, due in monthly installments of $650, bearing interest at 9.00%, secured by collateral mortgage on the ARC Haven home, maturing February 28, 2002.	-	31,333
Mortgage note payable to bank, due in monthly installments of $962, bearing interest at 7.00%, secured by collateral mortgage on the Northside home, maturing January 31, 2001.	-	37,128
Note payable to bank, due in monthly installments of $388, bearing interest at 9.95%, collateralized by a security interest in a 1995 Chevrolet van, maturing July 13, 1999.	4,747	8,699

Note 4. Long-Term Debt (Continued)	1998	1997
Note payable to bank, due in monthly installments of $388, bearing interest at 9.95%, collateralized by a security interest in a 1995 Chevrolet van, maturing July 13, 1999.	$ 4,747	$ 8,698
Note payable to bank, due in monthly installments of $410, bearing interest at 9.95%, collateralized by a security interest in a 1996 Chevrolet van, maturing July 13, 1999.	5,024	9,205
Respite Services:		
Mortgage note payable to FHA, due in monthly installments of $1,028, bearing interest at 5.25%, secured by collateral mortgage on the Respite home, maturing April 11, 2025.	178,322	181,214
Mortgage note payable to FHA, due in monthly installments of $215, bearing interest at 5.125%, secured by collateral mortgage on the Respite home, maturing April 11, 2025.	37,984	38,599
Note payable to bank, bearing interest at 9.00%, unsecured, maturing July 22, 1997.	-	3,000
	$ 295,899	$ 390,396
Less current maturities	(23,642)	(36,486)
Long-term debt, less current maturities	$ 272,257	$ 353,910

Aggregate maturities required on long-term debt, including interest of $212,194, are as follows at June 30, 1998:

June 30	1998
1999	$ 40,247
2000	24,876
2001	24,876
2002	24,876
2003	24,876
Thereafter	368,342
	$ 508,093

Cash paid for interest during the years ended June 30, 1998 and 1997 was $23,343 and $28,093, respectively.

Note 5. Capital Lease Obligations

The Association has entered into a noncancellable lease agreement for the acquisition of property including building and improvements. The lease provides for monthly payments of $500 through January 2001. Additionally, the Association has entered into a noncancellable lease agreement for the acquisition of a copy machine. The lease provides for monthly payments of $100 through August 1998. These leases have been capitalized in accordance with Financial Accounting Standards Statement No. 13. The following is a schedule by years of the future minimum lease payments under these capital leases together with the value of the net minimum lease payments as of June 30:

Year Ending	1998	1997
1998	$ -	$ 16,630
1999	6,181	6,290
2000	6,000	6,000
2001	3,500	3,500
Total minimum lease payments	$ 15,681	$ 32,420
Less amount representing interest	1,628	4,154
Present value of net minimum lease payments	$ 14,053	$ 28,266
Less obligations under capital leases - current portion	5,194	14,202
Obligations under capital leases, long-term	$ 8,859	$ 14,064

Note 6. Detail of Program Revenue

Program revenue included the following for the years ended June 30, 1998 and 1997:

		Program				
	Total	ARC Unlimited	Outreach Services	Independent Living	Residential Services	Respite Services
1998:						
Medicaid	$ 1,913,790	$ 151,549	$ -	$ 391,928	$ 778,625	$ 591,688
Office of Citizens with Developmental Disabilities	408,885	288,073	-	49,776	-	71,036
Louisiana Rehab Services	271,375	271,375	-	-	-	-
Foster & Adoptive Family Resource	4,228	-	-	-	-	4,228
Children's Trust Fund	7,000	-	7,000	-	-	-
Sales	177,213	177,213	-	-	-	-
Client billings	153,162	11,185	-	45,873	78,436	17,668
Other residential facilities:						
Normal Life	124,371	124,371	-	-	-	-
Res-Care Health Services	116,908	116,908	-	-	-	-
	$3,176,932	$1,140,674	$ 7,000	$ 487,577	$ 857,061	$ 684,620

Note 6. Detail of Program Revenue (Continued)

		Program				
	Total	ARC Unlimited	Outreach Services	Independent Living	Residential Services	Respite Services
1997:						
Medicaid	$1,455,309	$ 157,696	$ 5,022	$ 229,613	$ 789,154	$ 273,824
Office of Citizens with Developmental Disabilities	404,796	288,073	-	49,776	-	66,947
Louisiana Rehab Services	216,053	216,053	-	-	-	-
Department of Health and Hospitals	1,336	-	1,336	-	-	-
Children's Trust Fund	5,000	-	5,000	-	-	-
Sales	139,943	139,943	-	-	-	-
Client billings	136,714	5,242	-	15,606	107,016	8,850
Other residential facilities:						
Normal Life	160,096	160,096	-	-	-	-
Gulf States Health Care	77,374	77,374	-	-	-	-
Res-Care Health Services	13,690	13,690	-	-	-	-
	$2,610,311	$1,058,167	$ 11,358	$ 294,995	$ 896,170	$ 349,621

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following periods or purposes as of June 30, 1998 and 1997:

	1998	1997
ARC Unlimited program:		
Remaining estimated useful lives of contributed property and equipment	$ 33,003	$ 28,248
Unexpended food bank contributions	16,800	9,938
	$ 49,803	$ 38,186

NOTES TO FINANCIAL STATEMENTS

Note 8. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or the expiration of time for the year ended June 30:

	1998	1997
Purpose restrictions accomplished:		
ARC Unlimited program -		
Department of Natural Resources grant	$ -	$ 39,858
Contributions	18,725	15,084
Respite Services program -		
Contributions	360	330
	$ 19,085	$ 55,272
Time restriction expired:		
ARC Unlimited program -		
Expired portion of estimated useful lives of contributed property and equipment	14,058	7,651
Total restrictions released	$ 33,143	$ 62,923

Note 9. Natural Classification of Expenses

Expenses were incurred for the following for the years ended June 30, 1998 and 1997:

		Programs					Support
	Total	ARC Unlimited	Outreach Services	Independent Living	Residential Services	Respite Services	Management and General
1998:							
Cost of sales	$ 115,816	$ 115,816	$ -	$ -	$ -	$ -	$ -
Salaries, wages, benefits and payroll taxes	2,057,554	652,249	6,024	389,924	347,861	506,367	155,129
Office and occupancy	503,209	192,179	477	42,124	139,353	74,745	54,331
Supplies and travel	126,585	46,132	437	257	68,260	8,077	3,422
Services and professional fees	110,458	19,301	1,551	11,050	43,728	18,261	16,567
Depreciation	130,292	66,041	-	375	40,787	11,914	11,175
Repairs and maintenance	160,137	105,526	106	8,610	30,290	7,997	7,608
Interest	23,343	7,538	-	-	4,219	11,586	-
	$ 3,227,394	$1,204,782	$ 8,595	$452,340	$674,498	$638,947	$248,232

Note 9. Natural Classification of Expenses (Continued)

		Programs					Support
	Total	ARC Unlimited	Outreach Services	Independent Living	Residential Services	Respite Services	Management and General
1997:							
Cost of sales	$ 108,052	$ 108,052	$ -	$ -	$ -	$ -	$ -
Salaries, wages, benefits and payroll taxes	1,534,580	570,772	12,117	245,811	317,130	250,870	137,880
Office and occupancy	363,028	143,360	193	21,195	135,442	33,769	29,069
Supplies and travel	145,687	53,424	70	2,117	71,782	9,769	8,525
Services and professional fees	105,507	21,111	1,388	5,191	54,374	13,555	9,888
Depreciation	118,512	58,918	-	375	42,133	11,192	5,894
Repairs and maintenance	182,620	111,310	259	9,077	49,805	5,682	6,487
Interest	28,093	4,537	-	-	9,792	13,764	-
	$2,586,079	$1,071,484	$ 14,027	$283,766	$680,458	$338,601	$197,743

Note 10. Fiduciary Funds

Residential Services acts as a fiduciary agent for its residents. Additionally, there is one client of the Independent Living program for which the Association acts as a fiduciary agent. Checking accounts are maintained for each resident in the homes. Deposits include the resident's social security benefits, their payroll checks if employed and miscellaneous gifts from family members. Disbursements consist of day-to-day living expenses and are based on the individual resident's needs. The balance in these checking accounts at June 30, 1998 and 1997 was $19,548 and $19,063, respectively. These funds are not included in the balance sheet of the ARC of Iberia.

Note 11. Concentration of Credit Risk

The Association maintains cash balances in excess of $100,000 and time deposits in excess of $100,000 in banks, which are insured by the Federal Deposit Insurance Corporation up to $100,000 for cash balances and $100,000 for time deposits. At June 30, 1998, the Association's uninsured cash balances totaled $189,281.

The Association also receives a considerable amount of its total support and revenues from Medicaid for payments of medical services provided to clients. During the years ended June 30, 1998 and 1997, the Association received $ $1,913,790 and $1,455,309, respectively, from Medicaid, which was 58% and 53%, respectively, of total revenues.

Note 12. Fair Values of Financial Instruments

The Association's financial instruments, none of which are held for trading purposes, include cash, investments, and notes payable. The Association estimates that the fair value of all financial instruments at June 30, 1998 and 1997 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Association using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Association could realize in a current market exchange.

Note 13. Non-Cash Investing and Financing Activities

A capital lease obligation of $10,400 was incurred during 1997 when the Association entered into a lease agreement for a new telephone system.

Note 14. Retirement Plan

During 1998, the Association established a 401(k) retirement plan for all eligible employees. All full-time employees are eligible after one year of service. Eligible employees may elect to contribute up to 20% of their gross salary. The Association has chosen to make contributions to the Plan in an amount equal to 100% of the first 2% deferred by the employee. The amount contributed to the Plan for the year ended June 30, 1998 was $7,506.

BROUSSARD, POCHE', LEWIS & BREAUX, L.L.P.

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Retired
Sidney L. Broussard, CPA 1980
Leon K. Poche, CPA 1984
James H. Breaux, CPA 1987
Erma R. Walton, CPA 1988
George A. Lewis, CPA* 1992
Geraldine J. Wimberly, CPA* 1995
Rodney L. Savoy, CPA* 1996
Larry G. Broussard, CPA* 1997

Members of American Institute of Certified Public Accountants Society of Louisiana Certified Public Accountants

A Professional Accounting Corporation

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

To the Board of Directors
ARC of Iberia
New Iberia, Louisiana

We have audited the financial statements of ARC of Iberia (a nonprofit organization) as of and for the year ended June 30, 1998, and have issued our report thereon dated October 16, 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 ARC of Iberia's financial statements are free of material misstatement, we performed test 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 ARC of Iberia'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.

This report is intended for the information of the board of directors, management, all applicable Federal agencies, and those other governments from which financial assistance was received. However, this report is a matter of public record and its distribution is not limited.

New Iberia, Louisiana
October 16, 1998

ARC OF IBERIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 1998

We have audited the financial statements of ARC of Iberia as of and for the year ended June 30, 1998, and have issued our report thereon dated October 16, 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. Our audit of the financial statements as of June 30, 1998 resulted in an unqualified opinion.

Section I - Summary of Auditors' Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control
Material Weaknesses ____ Yes __X__ No

Compliance
Compliance Material to Financial Statements ____ Yes __X__ No

Section II - Financial Statement Findings

No matters were reported.

ARC UNLIMITED

formerly ARC Angel Acres

P. O. BOX 9610

Orange Grove Subdivision

New Iberia, Louisiana 70562-9610

Phone 318-364-7215

October 1, 1998

Broussard, Poche', Lewis & Breaux, L.L.P.
Certified Public Accountants
Post Office Box 61400
Lafayette, LA 70596-1400

ARC of Iberia respectfully submits the following schedule of prior year findings for the year ended June 30, 1998.

I. Internal Control and Compliance Material to the Financial Statements

1997 Finding: Billings and Contracts

Recommendation: Once invoices are prepared, a designated person should review and agree the invoices to the supporting documentation. All review processes should be evidenced by initials.

Status: Resolved.

1997 Finding: Cash in Bank

Recommendation: Management should review and monitor their cash balances so that they are not maintaining balances in excess of the Federal Deposit Insurance Corporation coverage.

Status: Unresolved and included as a footnote disclosure in the 1998 report.

II. Internal Control and Compliance Material to Federal Awards

Not applicable.

III. Management Letter

The prior year's report did not include a management letter.

Sincerely yours,

ARC OF IBERIA
Kenny Patton

Kenny Patton
Executive Director

People Helping People
- THE UNITED WAY -