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ST. JAMES ASSOCIATION FOR
RETARDED CHILDREN, INC.

DECEMBER 31, 1998

VACHERIE, LOUISIANA

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Release Date ~~AUG 04 1999~~

CONTENTS

Audited Financial Statements:

Independent Auditor's Report.....	Page 1 - 2
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7 - 8

Required Supplementary Information:

Year 2000 Issue.....	9 - 10
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Other Supplementary Information:

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 <u>Government Auditing Standards</u>	11 - 12
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June 2, 1999

Independent Auditor's Report

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

We have audited the accompanying Statements of Financial Position of St. James Association for Retarded Children, Inc. as of December 31, 1998 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. Information for the year ended December 31, 1997 is presented for comparative purposes only and was extracted from the financial statements for that year, on which an unqualified opinion dated May 29, 1998 was expressed.

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, 1998 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 June 2, 1999 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.

The Year 2000 supplementary information on pages 9-10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the St. James Association for Retarded Children, Inc. is or will become Year 2000 compliant, the St. James Association for Retarded Children, Inc.'s Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the St. James Association for Retarded Children, Inc. does business are or will become Year 2000 compliant.

Respectfully submitted,

Hannis T. Bourgeois, L.L.P.

St. James Association for Retarded Children, Inc.

STATEMENT OF FINANCIAL POSITION

as of December 31, 1998
with comparative totals for 1997

ASSETS

	<u>1998</u>	<u>1997</u>
Current Assets:		
Cash	\$ 37,500	\$ 41,664
Accounts Receivable	20,910	14,566
Prepaid Expenses	<u>2,134</u>	<u>1,959</u>
Total Current Assets	60,544	58,189
Buildings and Equipment at Cost		
Less Accumulated Depreciation		
of \$77,053 for 1998 and \$72,178 for 1997	<u>16,286</u>	<u>20,112</u>
Total Assets	<u>\$ 76,830</u>	<u>\$ 78,301</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts Payable	\$ 598	\$ 185
Accrued Expenses	<u>8,324</u>	<u>7,291</u>
Total Current Liabilities	8,922	7,476
Net Assets:		
Unrestricted	<u>67,908</u>	<u>70,825</u>
Total Net Assets	<u>67,908</u>	<u>70,825</u>
Total Liabilities and Net Assets	<u>\$ 76,830</u>	<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, 1998
with comparative totals for 1997

	1998				1997
	UNRESTRICTED				
	<u>OPERATING</u>	<u>SHELTER</u>	<u>ACTIVITY</u>	<u>TOTAL</u>	
Support and Revenue:					
Contributions	\$ 8,621	\$ -	\$ -	\$ 8,621	\$ 5,073
United Way Alloca- tions	14,243	-	-	14,243	14,168
Grants	99,462	-	-	99,462	98,698
Dues	1,310	-	-	1,310	1,267
Donations from Parish	3,600	-	-	3,600	3,600
Candle Sales	-	7,879	-	7,879	6,544
Janitorial Services	-	-	6,205	6,205	6,654
Total Revenue	127,236	7,879	6,205	141,320	136,004
Expenses:					
Program Services	103,801	7,936	6,257	117,994	112,596
Management and General	26,243	-	-	26,243	23,065
Total Expenses	130,044	7,936	6,257	144,237	135,661
Change in Net Assets	(2,808)	(57)	(52)	(2,917)	343
Net Assets - Beginning of Year	66,848	655	3,322	70,825	70,482
Net Assets - End of Year	\$ 64,040	\$ 598	\$ 3,270	\$ 67,908	\$ 70,825

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, 1998
with comparative totals for 1997

	1998				TOTAL PROGRAM SERVICES	TOTAL PROGRAM SERVICES AND MANAGEMENT AND GENERAL	1997
	MANAGEMENT AND GENERAL	PROGRAM SERVICES OPERATING	SHELTER	ACTIVITY			
Salaries	\$ 17,736	\$ 66,588	\$ 3,999	\$ 5,775	\$ 76,362	\$ 94,098	\$ 92,724
Payroll Taxes	1,745	7,029	-	-	7,029	8,774	10,074
Accounting	4,700	-	-	-	-	4,700	500
Travel/Confer- ences/Meetings	-	1,373	-	-	1,373	1,373	-
Depreciation	488	4,388	-	-	4,388	4,876	4,801
Dues and Sub- scriptions	-	2,555	-	-	2,555	2,555	3,395
Insurance and Utilities	934	8,405	-	-	8,405	9,339	9,291
Miscellaneous	-	6,419	288	-	6,707	6,707	4,834
Printing and Postage	-	121	-	-	121	121	462
Rent	360	3,240	-	-	3,240	3,600	3,600
Repair and Main- tenance	-	1,956	-	-	1,956	1,956	-
Supplies	-	1,447	3,649	482	5,578	5,578	5,499
Telephone	280	280	-	-	280	560	481
Total Expenses	\$ 26,243	\$103,801	\$ 7,936	\$ 6,257	\$117,994	\$144,237	\$135,661

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, 1998
with comparative totals for 1997

	<u>1998</u>	<u>1997</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ (2,917)	\$ 343
Adjustments to Reconcile Change in Net Cash Provided by Operating Activities:		
Depreciation	4,876	4,801
Changes in Current Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(6,344)	590
(Increase) Decrease in Prepaid Expense	(175)	541
Increase (Decrease) in Accounts Payable	413	(249)
Increase (Decrease) in Accrued Expenses	<u>1,033</u>	<u>1,398</u>
Net Cash Provided by (Used in) Operating Activities	(3,114)	7,424
Cash Flows from Investing Activities:		
Purchases of Property and Equipment	<u>(1,050)</u>	<u>-</u>
Net Cash Used in Investing Activities	<u>(1,050)</u>	<u>-</u>
Net Increase (Decrease) in Cash	(4,164)	7,424
Cash - Beginning of Year	<u>41,664</u>	<u>34,240</u>
Cash - End of Year	<u>\$ 37,500</u>	<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, 1998

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, 1998, 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, 1998, 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, 1998 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.

Concentrations of Credit Risk

Included in receivables are amounts due from contracts with the State of Louisiana Department of Health and Hospitals.

REQUIRED SUPPLEMENTARY INFORMATION

YEAR 2000 ISSUES

December 31, 1998

The Year 2000 Issue

In October 1998, the Governmental Accounting Standards Board (GASB) issued Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*. The provisions of the GASB technical bulletin, effective for financial statements on which the auditor's report is dated after October 31, 1998, requires the Organization to make disclosures about its state of readiness in addressing the Year 2000 issues for its internal computer systems and equipment. On March 29, 1999, GASB issued Technical Bulletin 99-1 which amended the previously issued disclosure requirements allowing for the disclosure to be made in the required supplementary information (RSI). *"This note is written pursuant to the Year 2000 Information and Readiness Disclosure Act, Public Law No. 105-271, 112 Stat. 2386 (1998)."*

The Year 2000 Issue is the result of shortcomings in electronic data-processing systems and other equipment that may adversely affect operations in the year 1999 and beyond.

The following stages have been identified by the GASB as necessary to implement a Year 2000-compliant system:

Awareness Stage - In this first stage, an organization establishes a budget and project plan (for example, a time line or chart noting major tasks and due date) for dealing with the Year 2000 issue.

Assessment Stage - While in this stage, an organization begins the actual process of identifying all of its systems (preparing an inventory) and individual components of the systems. An organization may decide to review all system components for Year 2000 compliance or, through a risk analysis, identify only mission-critical systems and equipment--systems and equipment critical to conducting operations to check compliance.

Remediation Stage - During this stage, an organization actually makes changes to systems and equipment. This stage involves the technical issues of converting existing systems, or switching to compliant systems. Decisions are made on how to make the system or processes Year 2000 compliant, and the required system changes are made.

Validation/Testing Stage - At this stage, an organization validates and tests the changes made during the conversion process. The development of test data and test scripts, the running of test scripts, and the review of test results are crucial for this stage of the conversion process to be successful. If the testing results show anomalies, the tested area needs to be corrected and re-tested.

St. James Association for Retarded Children, Inc. currently maintains a manual set of accounting books. However, the Organization does utilize other computerized systems and is currently completing the validation testing of all systems and expects to be Year 2000 compliant.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the Organization is or will be Year 2000 ready, that the Organization's remediation efforts will be successful in whole or in part, or that parties with whom the Organization does business will be Year 2000 ready.

OTHER SUPPLEMENTARY INFORMATION

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



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June 2, 1999

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, 1998 and have issued our report thereon dated June 2, 1999. 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 June 2, 1999.

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, L.L.P.

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

MANAGEMENT LETTER

DECEMBER 31, 1998



Hannis T. Bourgeois, L.L.P.

Certified Public Accountants

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June 2, 1999

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, 1998, 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 the 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 June 2, 1999.) This letter does not affect our report dated June 2, 1999, on the financial statements of the Organization.

PAYROLL AND PAYROLL TAXES

Finding:

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

Recommendation:

We recommended 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 would be signed by the director and the employee.

Corrective Action Taken:

During our current year audit, it was noted that an authorized pay rate form is being completed by the Director and placed in employee's personnel files.

To the Board of Directors
St. James Association for
Retarded Children, Inc.
June 2, 1999
Page 2

Finding:

During the course of our prior year and current year audits it was noted that wages of approximately \$11,600 and \$9,800 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.

Recommendation:

We again 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.

Finding:

During the course of our current year audit, it was noted that state unemployment payroll tax forms (SUTA) were being prepared incorrectly resulting in an overpayment of SUTA taxes. Upon further discussion with your personnel, it was noted that SUTA tax reports were prepared incorrectly in prior years also.

Recommendation:

SUTA payroll tax reports are in the process of being amended for the past three years (maximum time period allowed by Louisiana Department of Labor). We have also discussed the proper method of preparing SUTA payroll tax forms with your personnel, so that future reports are accurate. We recommend that all future reports be prepared correctly.

ORGANIZATIONAL STRUCTURE

Finding:

As we noted in the prior year and again in the current year, 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.

To the Board of Directors
St. James Association for
Retarded Children, Inc.
June 2, 1999
Page 3

CASH DISBURSEMENTS

Finding:

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

Recommendation:

We recommended 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 could be greatly strengthened.

Corrective Action Taken:

Based on our current year testing of cash disbursements, it was noted that the Organization has implemented new procedures whereby all invoices are stamped paid with proper initials authorizing payment, as well as other recommended documentation.

GENERAL LEDGER

Finding:

During the course of our current and prior year audits, 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.

Recommendation:

We again 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 and as noted in the prior year, it was noted that an annual operating budget was not prepared.

To the Board of Directors
St. James Association for
Retarded Children, Inc.
June 2, 1999
Page 4

Recommendation:

We again 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, LPA



ST. JAMES ARC
Vacherie Day Developmental Training Center
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June 2, 1999

Hannis T. Bourgeois LLP
2322 Tremont Drive
Baton Rouge, La. 70809

We concur with the auditors findings and will implement the recommendations as cited in the auditors management letter on the following topics listed below.

Payroll & payroll taxes
Organizational structure
General ledger
Budget

Sincerely

A handwritten signature in cursive script that reads "Jaime Chenier".

Jaime Chenier
Executive Director

Receipt Acknowledged
Legislative Auditor

By

A handwritten signature in cursive script that reads "J. Stewart".