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MAR-C INDUSTRIES, INC.  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 2/2/05

MAR-C INDUSTRIES, INC.  
Annual Financial Report  
June 30, 2004

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# JAMIESON, WISE & MARTIN

A PROFESSIONAL ACCOUNTING CORPORATION

601 MAIN STREET P.O. BOX 897  
MINDEN, LOUISIANA 71058-0897  
(318) 377-3171  
FAX (318) 377-3177

MICHAEL W. WISE, C.P.A.  
CARLOS E. MARTIN, C.P.A.  
DAVID W. TINSLEY, C.P.A.

KRISTINE H. COLE, C.P.A.  
JENNIFER C. SMITH, C.P.A.

WM. PEARCE JAMIESON, C.P.A.(1991)

MEMBERS

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
MAR-C Industries, Inc.  
Minden, Louisiana

We have audited the accompanying statement of financial position of MAR-C Industries, Inc. (a nonprofit organization) as of June 30, 2004, and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Industries' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 financial statements referred to above present fairly, in all material respects, the financial position of MAR-C Industries, Inc. as of June 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 17, 2004, on our consideration of MAR-C Industries, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of MAR-C Industries, Inc. taken as a whole. The information listed as other

supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of MAR-C Industries, Inc. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Jamieson, Wise & Martin

Minden, Louisiana  
December 17, 2004

**JAMIESON, WISE & MARTIN**  
A PROFESSIONAL ACCOUNTING CORPORATION

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

The Board of Directors  
MAR-C Industries, Inc.  
Minden, Louisiana

We have audited the financial statements of MAR-C Industries, Inc. (a nonprofit organization) as of and for the year ended June 30, 2004, and have issued our report thereon dated December 17, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 MAR-C Industries, 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 MAR-C Industries, 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.

This report is intended solely for the information and use of management, the Board of Directors, Department of Health and Hospitals, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Jamieson, Wise & Martin*

Minden, Louisiana  
December 17, 2004

BASIC FINANCIAL STATEMENTS

MAR-C INDUSTRIES, INC.  
STATEMENT OF FINANCIAL POSITION  
June 30, 2004

ASSETS

Current assets:

Cash	\$	108,651
Certificates of deposit		88,133
Accounts receivable -		
Accounts receivable - customers		9,760
Accounts receivable - state agencies		15,552
Prepaid expenses		<u>8,784</u>
 Total current assets		 <u>230,880</u>

Fixed Assets:

Leasehold improvements		36,554
Equipment		<u>142,206</u>
		178,760
Less: Accumulated depreciation		<u>(146,743)</u>
Total fixed assets		<u>32,017</u>

Total assets \$ 262,897

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	4,655
Payroll liabilities		<u>1,291</u>
 Total current liabilities		 <u>5,946</u>

Net Assets:

Unrestricted net assets:		
Operations		224,934
Fixed assets		<u>32,017</u>
Total net assets		<u>256,951</u>

Total liabilities and net assets \$ 262,897

The accompanying notes are an integral part of these financial statements.



MAR-C INDUSTRIES, INC.  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

PUBLIC SUPPORT AND REVENUE:

Public support:	
Department of Health and Hospitals	\$ 224,158
United Way	7,387
Contributions - general	<u>850</u>
Total public support	<u>232,395</u>
Revenue:	
State of LA - MR/DD Waiver -	
Prevocational Rehabilitation	28,543
Other contract services provided	81,413
Membership dues	423
Interest	2,919
Other revenue	<u>14,887</u>
Total revenue	<u>128,185</u>
 Total public support and revenue	 <u>360,580</u>
EXPENSES:	
Program services -	
Adult services	<u>359,477</u>
Total program services	<u>359,477</u>
Support services -	
General and administrative	<u>10,863</u>
Total support services	<u>10,863</u>
 Total expenses	 <u>370,340</u>
 Change in unrestricted net assets	 (9,760)
 Unrestricted net assets, beginning of year	 <u>266,711</u>
 Unrestricted net assets, end of year	 <u>\$ 256,951</u>

The accompanying notes are an integral part of these financial statements.

MAR-C INDUSTRIES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2004

	<u>Adult Services</u>
Salaries	\$227,650
Payroll taxes	<u>15,632</u>
Total salaries and payroll tax expense	<u>243,282</u>
Professional services	13,350
Insurance	13,874
Affiliation dues	924
Licenses	1,176
Office supplies	3,316
Vehicle gas, oil and repairs	15,520
Postage	334
Training materials	913
Telephone	2,208
Production supplies	10,642
Building and grounds maintenance and repair	7,436
Utilities	8,566
Building lease	18,000
Food	777
Outside services	1,903
Miscellaneous	<u>3,250</u>
Total other expenses before depreciation	<u>102,189</u>
Depreciation	<u>14,006</u>
Total program services	<u>\$359,477</u>

The accompanying notes are an integral part of these financial statements.

MAR-C INDUSTRIES, INC.  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	(9,760)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		14,006
Increase in accounts receivable - customers		(572)
Decrease in accounts receivable - state		8,535
Increase in prepaid expenses		(4,880)
Increase in accounts payable		2,078
Decrease in accrued payroll expense		<u>(4,968)</u>
Net cash provided by operating activities		<u>4,439</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of equipment		(4,851)
Disposal of equipment		<u>380</u>
Net cash used by investing activities		<u>(4,471)</u>
Net increase in cash and cash equivalents		(32)
Cash and cash equivalents - June 30, 2003		<u>196,816</u>
Cash and cash equivalents - June 30, 2004	\$	<u>196,784</u>

The accompanying notes are an integral part of these financial statements.

MAR-C INDUSTRIES, INC.  
Notes to Financial Statements  
June 30, 2004

1. Nature of Activities and Significant Accounting Policies

Nature of Activities

MAR-C Industries, Inc. is a not-for-profit public service corporation exempt from federal income taxation under Internal Revenue Code Section 501(c) (3). Revenues are derived primarily from the following:

- a) Louisiana Department of Health and Hospitals
- b) United Way
- c) Contributions from the general public
- d) Contract work performed by the clients for various types of companies
- e) State of LA - MR/DD Waiver on a fee-for-service basis to provide Prevocational Rehabilitation to clients.

MAR-C Industries, Inc. provides education, training, work opportunities, supported employment, and prevocational rehabilitation to mentally retarded adults.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, MAR-C Industries, Inc. 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.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Leasehold Improvements and Equipment

Land, building and equipment are stated at cost less accumulated depreciation. MAR-C Industries, Inc. follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500.

MAR-C INDUSTRIES, INC.  
Notes to Financial Statements  
June 30, 2004

Leasehold Improvements and Equipment (continued)

All depreciable assets are depreciated under the straight-line method over their estimated useful lives as follows:

<u>Assets</u>	<u>Estimated Life</u>
Vehicles	5 years
Furniture and equipment	5-10 years
Leasehold improvements	15 years

Contributions

In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes an unconditional promise to give. Contributions are considered available for unrestricted use, unless specifically restricted by the donor. Donors placed no significant restrictions on contributions for the year ended June 30, 2004. Donated materials and equipment are recorded as support at their estimated fair values. No amounts are reflected in the statements for donated services, as the value of such services meeting the requirements for recognition was not material to the 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, MAR-C Industries, Inc. considers cash, cash in banks, and certificates of deposit to be cash equivalents.

2. Accounts receivable

Accounts receivable of \$25,312 due to MAR-C Industries, Inc. at June 30, 2004, consists of \$13,324 from Department of Health and Hospitals, \$2,228 from Louisiana Medicaid Assistance Program, and receivables on private contracts of \$9,760.

MAR-C INDUSTRIES, INC.  
Notes to Financial Statements  
June 30, 2004

3. Leasehold improvements and equipment

Leasehold improvements and equipment at June 30, 2004, are composed of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Leasehold improvements	\$ 36,554	22,717	13,837
Furniture and equipment	<u>142,206</u>	<u>124,026</u>	<u>18,180</u>
Totals	<u>\$178,760</u>	<u>146,743</u>	<u>32,017</u>

4. Classification of public support and revenue

The major classifications of public support and revenue are disclosed in the Statement of Activities.

5. Significant reliance on major sources of revenue and support

For the year ended June 30, 2004, approximately \$51,069 of revenue received for services provided by the clients came from an oral contract with one local company. There is not a written contract with this company, and there is no assurance that such work will continue to be contracted with MAR-C Industries, Inc.

For the year ended June 30, 2004, MAR-C Industries, Inc. received the majority of its public support from a grant in the amount of \$224,158 from the Louisiana Department of Health and Hospitals.

6. Leases

The facilities are leased under an open-end leasing arrangement at \$1,500 per month. Building lease payments in the amount of \$18,000 were made during the year ended June 30, 2004. This arrangement is considered an operating lease.

7. Prepaid expenses

Prepaid expenses, as of June 30, 2004, are made up of \$ 8,784 of prepaid insurance.

MAR-C INDUSTRIES, INC.  
Notes to Financial Statements  
June 30, 2004

8. Concentration of Credit Risk

As of June 30, 2004, MAR-C Industries, Inc. had a bank balance of \$187,602 with Minden Building & Loan. Deposits held with Minden Building & Loan are secured from risk by federal deposit insurance on amounts up to \$100,000. As of June 30, 2004, MAR-C Industries, Inc. had \$87,602 in bank deposits in excess of federal deposit insurance.

9. Name Change of Corporation

On March 13, 2003, Minden Association for Retarded Citizens, Inc. changed their charter as registered with the Louisiana Secretary of State to MAR-C Industries, Inc.

10. Related Party Transactions

MAR-C Industries leases the building that it occupies from a corporation in which the Executive Director of MAR-C is a 50% owner. The remaining 50% ownership resides with the Executive Director's immediate family. Mar-C paid \$18,000 in building lease payments for the year ended June 30, 2004.

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SUPPLEMENTAL INFORMATION SCHEDULES



MAR-C INDUSTRIES, INC.  
Schedule of Compensation Paid Board of Directors  
June 30, 2004

The Board of Directors of the MAR-C Industries, Inc. does not receive compensation for their service on the board. The following were members of the Board as of June 30, 2004:

President	Craig Watson
Vice-President	Joe Wallace
Secretary	Francis Irving
Treasurer	Fred Evans <sup>1</sup>
Members	Robert Clark
	Henry Hobbs
	Mickie Holman
	Jeanne Martin
	Dick Todd

<sup>1</sup> During the fiscal year ended June 30, 2004; Fred Evans received total payments of \$700 for bookkeeping services performed for MAR-C Industries, Inc.

MAR-C INDUSTRIES, INC.  
Summary Schedule of Prior Audit Findings  
June 30, 2004

During the audit of the financial statements of MAR-C Industries, Inc. (formerly Minden Association for Retarded Citizens, Inc.) as of and for the year ended June 30, 2003, no findings were noted that are required to be reported in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

MAR-C INDUSTRIES, INC.  
Corrective Action Plan for Current Year Audit Findings  
June 30, 2004

During the audit of the financial statements of MAR-C Industries, Inc. as of and for the year ended June 30, 2004, no findings were noted that are required to be reported in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.