

5786

RECEIVED
LEGISLATIVE AUDITOR

04 DEC 29 PM 12: 23

ASSOCIATION OF RETARDED
CITIZENS OF EVANGELINE, INC.
VILLE PLATTE, LOUISIANA
FINANCIAL REPORT
YEAR ENDED 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

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
 <u>FINANCIAL STATEMENTS</u>	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5
Notes to Financial Statements	6-8
 <u>RELATED REPORT</u>	
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	9-10
 <u>SUPPLEMENTARY INFORMATION</u>	
Schedule of Findings and Questioned Costs	11
Schedule of Prior Year Findings	12

Russell J. Stelly, CPA
 Chizal S. Fontenot, CPA
 James L. Nicholson, Jr., CPA
 G. Kenneth Pavy, II, CPA
 Michael A. Roy, CPA
 Lisa Trouille Manuel, CPA

Dana D. Quebedeaux, CPA



JOHN S. DOWLING & COMPANY
 A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

John S. Dowling, CPA
 1904-1984

Retired

Harold Dupre, CPA
 1996
 John Newton Stout, CPA
 1998
 Dwight Ledoux, CPA
 1998
 Joel Lanclos, Jr., CPA
 2003

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
 Association of Retarded Citizens of Evangeline, Inc.
 Ville Platte, Louisiana

We have audited the accompanying statement of financial position of the Association of Retarded Citizens of Evangeline, Inc., (a nonprofit organization) as of June 30, 2004, 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. The financial statements of the Association of Retarded Citizens of Evangeline, Inc. as of June 30, 2003, were audited by other auditors whose report dated September 12, 2003, expressed an unqualified opinion on those statements.

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 the Association of Retarded Citizens of Evangeline, 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 our report dated December 20, 2004, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provision 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.

John S. Dowling & Company
 Opelousas, Louisiana
 December 20, 2004

FINANCIAL STATEMENTS

ASSOCIATION OF RETARDED CITIZENS OF EVANGELINE, INC.
VILLE PLATTE, LOUISIANA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Current assets		
Cash		\$90,469
Revenue receivable	\$105,488	182,020
Prepaid insurance	<u>5,285</u>	<u>6,692</u>
<u>Total current assets</u>	<u>110,773</u>	<u>279,181</u>
Property and equipment		
Furniture, fixtures and equipment	40,865	61,418
Buildings	27,205	27,205
Leasehold improvements	16,895	89,050
Accumulated depreciation	<u>(37,043)</u>	<u>(63,661)</u>
<u>Total net property and equipment</u>	<u>47,922</u>	<u>114,012</u>
Other assets		
Deposits	<u>3,255</u>	<u>3,255</u>
<u>Total assets</u>	<u>161,950</u>	<u>396,448</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Cash overdraft	\$17,677	
Accounts payable	25,688	\$50,514
Salaries payable	5,466	33,420
Accrued payroll taxes	<u>7,319</u>	<u>9,211</u>
<u>Total current liabilities</u>	<u>56,150</u>	<u>93,145</u>
Net assets		
Unrestricted net assets	<u>105,800</u>	<u>303,303</u>
<u>Total liabilities and net assets</u>	<u>161,950</u>	<u>396,448</u>

The accompanying notes are an integral part of this statement.

ASSOCIATION OF RETARDED CITIZENS OF EVANGELINE, INC.
VILLE PLATTE, LOUISIANA
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Support		
OCDD reimbursement	\$76,196	\$70,433
Day Program reimbursement	6,930	25,740
Title 19 reimbursement	736,257	1,812,927
Medicaid waiver	61,953	31,514
Maintenance contracts	18,815	43,492
Nursery, crafts, and thrift sales	56,811	58,753
Other income	<u>11</u>	<u>4,380</u>
<u>Total support</u>	<u>956,973</u>	<u>2,047,239</u>
Expenses		
Functional expenses		
Program services	731,734	1,329,420
Management and general	357,319	695,320
Loss on disposition of assets	<u>65,423</u>	
<u>Total expenses</u>	<u>1,154,476</u>	<u>2,024,740</u>
Increase (decrease) in unrestricted net assets	(197,503)	22,499
Unrestricted net assets, beginning of year	<u>303,303</u>	<u>280,804</u>
Unrestricted net assets, end of year	<u>105,800</u>	<u>303,303</u>

The accompanying notes are an integral part of this statement.

ASSOCIATION OF RETARDED CITIZENS OF EVANGELINE, INC.
VILLE PLATTE, LOUISIANA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities		
Increase (decrease) in unrestricted net assets	\$(197,503)	\$22,499
Adjustments to reconcile increase (decrease) in unrestricted net assets to net cash provided by operating activities		
Depreciation	5,931	10,424
Loss on disposition of property	65,423	
Decrease in revenue receivable	76,532	20,583
Decrease in prepaid insurance	1,407	759
Increase in cash overdraft	17,677	
Decrease in accounts payable	(24,826)	(6,010)
Increase (decrease) in salaries payable	(27,954)	33,420
Increase (decrease) in accrued payroll taxes	<u>(1,892)</u>	<u>4,962</u>
<u>Net cash provided by operating activities</u>	<u>112,298</u>	<u>64,138</u>
Cash flows from investing activities		
Acquisition of property and equipment	<u>(5,264)</u>	<u>(40,886)</u>
Net increase (decrease) in cash	(90,469)	45,751
Cash, beginning of year	<u>90,469</u>	<u>44,718</u>
Cash, end of year	<u><u>-0-</u></u>	<u><u>90,469</u></u>

The accompanying notes are an integral part of this statement.

ASSOCIATION OF RETARDED CITIZENS OF EVANGELINE, INC.
VILLE PLATTE, LOUISIANA
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>			<u>2003</u> <u>Total</u>
	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Total</u>	
Advertising and promotion		\$633	\$633	\$1,172
Auto expense		20,108	20,108	30,933
Bank charges				26
Food	\$30,918		30,918	56,863
Laundry and linen				2,509
Liability insurance		38,974	38,974	39,784
Licenses		1,390	1,390	2,585
Management fee		101,223	101,223	263,679
Medical services	7,151		7,151	8,428
Miscellaneous		1,498	1,498	9,458
Non-food	7,817		7,817	21,748
Provider fees		51,415	51,415	153,902
Office supplies		7,516	7,516	8,901
Outside services	31,801		31,801	56,895
Payroll taxes	39,897	5,128	45,025	72,974
Penalties				258
Personal client needs	7,030		7,030	24,174
Postage		1,392	1,392	2,793
Professional fees		23,800	23,800	21,707
Recreational	20,647		20,647	33,181
Rent	61,657		61,657	164,679
Repairs and maintenance	21,012		21,012	56,865
Salaries	426,677	59,201	485,878	818,482
Supplies	47,403		47,403	54,002
Telephone		13,494	13,494	23,607
Training in-service		2,315	2,315	2,166
Travel and seminar		3,339	3,339	15,301
Utilities	25,266		25,266	41,686
Workmen's compensation insurance		24,420	24,420	25,558
<u>Total expenses before depreciation</u>	<u>727,276</u>	<u>355,846</u>	<u>1,083,122</u>	<u>2,014,316</u>
Depreciation expense	<u>4,458</u>	<u>1,473</u>	<u>5,931</u>	<u>10,424</u>
<u>Total expenses</u>	<u>731,734</u>	<u>357,319</u>	<u>1,089,053</u>	<u>2,024,740</u>

The accompanying notes are an integral part of this statement.

ASSOCIATION OF RETARDED CITIZENS OF EVANGELINE, INC.
VILLE PLATTE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The Association of Retarded Citizens of Evangeline, Inc., is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code. The Organization was created on August 11, 1987 to promote and advance charitable, educational, and scientific purposes and to provide for the general welfare of persons who are retarded citizens of the Parish of Evangeline and surrounding areas. The Organization consists of two homes and a center for development located in Ville Platte, Louisiana.

The Board of Directors of the Corporation are elected by the members of the Organization, serve variable terms, and receive no compensation.

B. Financial Statement Presentation

The Organization has adopted the provisions of Statements of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations". Statement No. 117 requires the Organization 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 of June 30, 2004, the Organization had only unrestricted net assets.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The financial statements of the Organization are presented on the accrual basis of accounting.

D. Income Taxes

Income taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Organization is not classified as a private foundation.

E. Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on a straight-line basis over the applicable recovery periods, which range from 5 to 31.5 years. The Organization maintains a threshold of \$500 or more for capitalizing assets.

ASSOCIATION OF RETARDED CITIZENS OF EVANGELINE, INC.
VILLE PLATTE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Compensated Absences

Vacation and sick leave are recorded as expenditures of the period in which paid and cannot be carried over from year to year. Any liability the Organization might have in this regard at June 30, 2004 is considered immaterial; therefore, no liability has been recorded in the accounts.

G. Donations

There were no donated funds received by Association of Retarded Citizens of Evangeline, Inc. to be included on the Statement of Activities at June 30, 2004.

H. Statement of Cash Flows

The Organization considers all highly liquid investments with maturity of three months or less at the date of acquisition to be cash equivalents.

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.

2. Property and Equipment

Property and equipment consisted of the following at June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Equipment, furniture and fixtures	\$ 40,865	\$ 61,418
Building and improvements	<u>44,100</u>	<u>116,255</u>
Total	84,965	177,673
Less: Accumulated depreciation	<u>(37,043)</u>	<u>(63,661)</u>
Net property and equipment	<u>\$ 47,922</u>	<u>\$ 114,012</u>

3. Social Security System

Employees of the Organization are members of the Social Security System. The Organization and its employees contribute a percentage of each employee's salary to the System (7.65 percent each). The Organization's contribution during the years ended June 30, 2004 and 2003 amounted to \$39,559 and \$63,156, respectively.

ASSOCIATION OF RETARDED CITIZENS OF EVANGELINE, INC.
VILLE PLATTE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

4. Third-Party Reimbursements

The Organization receives Medicaid reimbursements for patients living at two separate homes. Each home serves approximately 6-8 patients. Reimbursements are determined according to the patient's level of care.

5. Operating Leases

The Organization has entered into a number of operating leases, which contain cancellation provisions. For the years ended June 30, 2004 and 2003, rent expenses approximated \$61,657 and \$164,679, respectively, for all types of leases, which were all related to program services.

6. Concentrations

Approximately 83% of the Organization's total revenue for the year consists of Medicaid reimbursements. A significant reduction in the level of this support or suspension in funding may have an effect on the continuing operations of the Association of Retarded Citizens of Evangeline, Inc.

7. Risk Management

The Organization is exposed to risks of loss in the areas of auto liability, property liability, fidelity bond and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year.

8. Loss on Disposition of Assets

Effective July 1, 2003, the Scott Center, Edwin Drive Home, Parish Road Home and Ledia Simon Home were all sold to Southern Comfort Community Homes, Inc. As a result of this, the operations of these homes and the center were transferred to Southern Comfort Community Homes, Inc. Since the Association of Retarded Citizens of Evangeline, Inc. no longer leases and operates these homes, all furniture, fixtures and leasehold improvements associated with these locations were written off. A loss of \$65,423 was generated by the book value remaining on all furniture, fixtures and leasehold improvements attached and transferred with the locations sold to Southern Comfort Community Homes, Inc. without consideration as of July 1, 2003.

RELATED REPORT

Russell J. Stelly, CPA
 Chizal S. Fontenot, CPA
 James L. Nicholson, Jr., CPA
 G. Kenneth Pavy, II, CPA
 Michael A. Roy, CPA
 Lisa Trouille Manuel, CPA

Dana D. Quebedeaux, CPA



JOHN S. DOWLING & COMPANY
 A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

John S. Dowling, CPA
 1904-1984

Retired

Harold Dupre, CPA
 1996
 John Newton Stout, CPA
 1998
 Dwight Ledoux, CPA
 1998
 Joel Lanclos, Jr., CPA
 2003

**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
 Association of Retarded Citizens of Evangeline, Inc.
 Ville Platte, Louisiana

We have audited the financial statements of the Association of Retarded Citizens of Evangeline, Inc. (a nonprofit organization) as of and for the year ended June 30, 2004, and have issued our report thereon dated December 20, 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 Association of Retarded Citizens of Evangeline, 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 Association of Retarded Citizens of Evangeline, 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition.

To the Board of Directors
Association of Retarded Citizens of Evangeline, Inc.
Page 2

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Association of Retarded Citizens of Evangeline, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as Item 2004-1.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.


Opelousas, Louisiana
December 20, 2004

SUPPLEMENTARY INFORMATION

ASSOCIATION OF RETARDED CITIZENS OF EVANGELINE, INC.
VILLE PLATTE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Association of Retarded Citizens of Evangeline, Inc., Louisiana.
2. Reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Association of Retarded Citizens of Evangeline, Inc., Louisiana was disclosed during the audit.

2004-1 Segregation of Duties

Condition: Due to the small number of employees, the Association of Retarded Citizens of Evangeline, Inc. did not have adequate segregation of functions within the accounting system.

Criteria: Accounting duties should be segregated among employees.

Cause: There is a small number of employees at Association of Retarded Citizens of Evangeline, Inc. performing the daily operating activities.

Effect: Accounting functions are not segregated.

Response: Due to the nature of the transactions and the size of the entity, accounting functions cannot be segregated.

ASSOCIATION OF RETARDED CITIZENS OF EVANGELINE, INC.
VILLE PLATTE, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2004

SECTION 1 – Internal Control and Compliance Material to the Financial Statements

Compliance

None

Internal Control

2003-1 Segregation of Duties

Unresolved

SECTION II – Management Letter

None