

THE ARC OF NORTH WEBSTER

Statements of Cash Flows June 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Cash flows from operating activities		
Cash received from:		
Government agencies	423,079	367,659
Public support	10,916	9,811
Member dues	1,120	1,360
Work center revenues	156,363	43,469
Support homes	125,190	119,340
Interest and dividends received	2,293	2,285
Other operating receipts	7,724	13,512
Cash disbursed:		
Cash paid to suppliers and employees	(671,637)	(479,920)
Cash paid to or for benefit of clients	(89,352)	(79,670)
Net cash provided (used) by operating activities	<u>(34,304)</u>	<u>(2,154)</u>
Cash flows from investing activities		
Purchase of fixed assets	(38,258)	(21,089)
Purchase of certificate of deposit	(13,428)	
Cash proceeds from the sale of fixed assets	1,295	
Net cash provided (used) by investing activities	<u>(50,391)</u>	<u>(21,089)</u>
Cash flows from financing activities		
Proceeds of long-term notes payable	30,051	
Reduction of long-term notes payable	(9,256)	
Net cash provided (used) by financing activities	<u>20,795</u>	
Net increase (decrease) in cash and cash equivalents	(63,900)	(23,243)
Cash and cash equivalents, beginning of year	<u>120,246</u>	<u>143,489</u>
Cash and cash equivalents, end of year	<u>56,346</u>	<u>120,246</u>
Reconciliation of net income to net cash provided by operating activities:		
Net income	<u>(8,110)</u>	<u>(25,886)</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	25,725	30,764
(Gain) loss on disposal of property	(1,295)	
(Increase) decrease in accounts receivable	(17,545)	(49,979)
(Increase) decrease in inventories		3,119
Increase (decrease) in accounts payable	(11,527)	14,985
Increase (decrease) in accrued liabilities	(28,055)	
Increase (decrease) in notes payable - current portion	6,503	24,843
Total Adjustments	<u>(26,194)</u>	<u>23,732</u>
Net cash provided (used) by operating activities	<u>(34,304)</u>	<u>(2,154)</u>

See accompanying notes to financial statements.

THE ARC OF NORTH WEBSTER

Notes to Financial Statements
June 30, 1996 and 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by The ARC of North Webster are described in summary form below:

Basis of Accounting

The financial statements of The ARC of North Webster have been prepared on the accrual basis. The financial statements are presented in accordance with Statement of Financial Accounting Standards No. 117, Financial Statements for Not-for-Profit Organizations, which requires the ARC 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.

Activities and Organization

The ARC of North Webster was organized for the purpose of training and improving the quality of life of citizens with developmental disabilities. The ARC of North Webster was originally incorporated as the Springhill Association of Retarded Children. Later, the name was informally changed to the Springhill Association of Retarded Citizens. On February 23, 1994, the name was changed by formal change of the articles of incorporation to The ARC of North Webster.

The ARC of North Webster has been determined by the Internal Revenue Service under the name Springhill Association of Retarded Citizens to be tax-exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Cash

The ARC considers cash in operating bank accounts, cash on hand, and other highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Investments

Investments consists of a certificate of deposit, carried at cost, which appropriates market. Those investments, if any, which the ARC intends to convert to cash within a year and then use that cash for a purpose other than reinvestment are classified at current. All other investments are classified as noncurrent.

Uncollectible accounts

Uncollectible amounts due for customer accounts are recognized as bad debts through the use of the direct write-off method at the time information becomes available which would indicate the uncollectibility of the particular receivable. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

(Continued)

THE ARC OF NORTH WEBSTER

Notes to Financial Statements
June 30, 1996 and 1995

Property, Plant and Equipment

Property, plant and equipment is recorded at cost when purchased and at fair market value when donated to the organization. Depreciation is recorded on the straight-line method using estimated useful lives as follows:

Furniture, fixtures and equipment	5-10 years
Automobiles	5 years
Buildings and improvements	10-20 years

Donations

Donated materials are recorded in the financial statements at their fair values at the date of receipt. In accordance with SFAS No. 116, with the exception of labor and materials valued at \$884.00 for work on the greenhouse by an electrician, no amounts have been reflected in the statements in as much as no objective basis is available to measure the value of such services; however, a number of volunteers have donated their time to assist in the operations and improvements of the ARC.

Contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those assets must be maintained, the ARC reports expiration of donor restrictions when the acquired assets are placed in services as instructed by the donor. The ARC reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 and reported in the statement of activities as net assets released from restrictions.

For purposes of the statement of cash flows, the Council considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

2. Change in Accounting Principles

In 1996, the ARC adopted Statement of Financial Accounting Standards (SFAS) No. 116, Accounting for Contributions Received and Contributions Made. 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. As permitted by SFAS No. 116, the ARC has retroactively applied the provisions of this new Statement by restating net assets as of June 30, 1995. The adoption of this Statement had no effect on the net assets of the ARC as of June 30, 1996 and 1995.

(Continued)

THE ARC OF NORTH WEBSTER

Notes to Financial Statements
June 30, 1996 and 1995

2. Change in Accounting Principles (Continued)

In 1995, the ARC adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements for Not-for-Profit Organizations. Under SFAS No. 117, the ARC is required to report information regarding its financial position and activities according the three classes of net assets: *unrestricted, temporarily restrict, and permanently restricted*. As permitted by this new Statement, the ARC has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required. The reclassification had no effect on the change in net assets for the years ended June 30, 1996 and 1995.

3. CASH

	<u>1996</u>	<u>1995</u>
Cash is summarized as follows:		
Petty cash	300	400
Cash on hand		21
Cash in checking accounts	16,117	29,132
Cash in interest-bearing accounts	<u>39,929</u>	<u>90,693</u>
Total	<u>56,346</u>	<u>120,246</u>

4. ACCOUNTS RECEIVABLE

	<u>1996</u>	<u>1995</u>
Accounts receivable are summarized as follows:		
Accounts receivable - customers	4,494	2,689
Employee advances	45	553
Due from federal agencies	61,898	59,468
Due from state agencies	24,550	16,220
Due from sponsoring homes	<u>15,860</u>	<u>10,372</u>
Total	<u>106,847</u>	<u>89,302</u>

5. INVENTORIES

Inventories consist of oil, tires and miscellaneous items on hand at June 30, 1995, valued at cost on the first-in, first-out method. Due to a change in the management of the service station, no inventory was taken at June 30, 1996. Management tries to keep a constant inventory at all times at the station by purchasing replacements as inventory is sold. The inventory at June 30, 1996 is estimated to equal that of the prior year.

(Continued)

THE ARC OF NORTH WEBSTER

Notes to Financial Statements
June 30, 1996 and 1995

6. LAND, BUILDING AND EQUIPMENT

	1996	1995
Land, building and equipment consist of the following:		
Land	5,000	5,000
Buildings and renovations	156,501	152,401
Furniture, fixtures and equipment	122,069	120,008
Automotive equipment	60,940	47,898
Total land, buildings and equipment	344,510	325,307
Less: accumulated depreciation	192,999	186,329
Land, buildings and equipment - net	151,511	138,978

7. NOTES PAYABLE

	1996
Notes payable are as follows:	
Bank note payable in monthly installments, dated September 29, 1995, interest at 6.752%, secured by Van	10,477
Bank note payable in monthly installments, dated May 16, 1996, interest at 7.9%, secured by Van	16,821
Total notes payable	27,298
Less: current activities	6,503
Total	20,795

8. WORK CENTER SALES AND FEES - NET

Work center sales and fees and related costs are as follows:

	1996			1995		
	Sales and Fees	Cost of Sales	Net	Sales and Fees	Cost of Sales	Net
Contract Work	21,876	2,186	19,690	23,225	1,101	22,124
Microfilm	28,711	4,400	24,311	27,752	5,030	22,722
Service Station	57,740	67,483	(9,743)	57,308	66,878	(9,570)
Bake Shop	9,909	10,401	(492)	8,953	6,367	2,586
Greenhouse	246		246			
Yardwork	8,012	1,177	6,835	6,907	1,300	5,607
Totals	126,494	85,647	40,847	124,145	80,676	43,469

9. COMPENSATED ABSENCES

No accrual has been recorded for compensated absences. Vacations are required to be taken during two weeks that The ARC of North Webster is closed during the year. Sick pay accumulates at the rate of one day per month, but is forfeited upon termination.

(Continued)

THE ARC OF NORTH WEBSTER

Notes to Financial Statements
June 30, 1996 and 1995

10. RELATED PARTY TRANSACTIONS

The following payments were made to officers, directors or related parties:

	1996			1995		
	Salary	Expense Reim- bursement	Purchase of Goods and Services	Salary	Expense Reim- bursement	Purchase of Goods and Services
Jim Haygood, Executive Director	26,986	1,441		18,055	1,308	
Neta Souter, Executive Director				7,868	265	
Phillip Allison, Assistant Director	24,542	920		14,133	501	
Mary Ann Miller, Interim Director				10,045	555	
Lon Park, Board Member/President			240		360	680
Maureen Umphries, Board Member/Treasurer		250			238	
L.M. Braley, Board Member		222			307	
Ruth Odom, Board Member		63				
Suzy Toms, Board Member					22	
Total	51,528	2,896	240	50,101	3,556	680

11. CONTINGENCIES AND PRIOR PERIOD ADJUSTMENTS

On October 4, 1995, the U.S. Department of Labor assessed the ARC of North Webster \$9,382 for payroll violations on 59 employees for the period August 1, 1993, to August 1, 1995.

On October 19, 1995, the Louisiana Worker's Compensation Corporation assessed an additional insurance premium in the amount of \$4,780 for the period June 30, 1993 to June 30, 1995.

Prior period adjustments were recorded June 30, 1995 to reflect the effect of the above assessments on the year ended June 30, 1994, and accounts payable were recorded to reflect the amounts due for the two year period ending June 30, 1995. The amounts recorded are as follows:

	Prior Period Adjustment	Contingency Payable	Total Assessed
U.S. Department of Labor	4,208	8,988	9,382
Louisiana Worker's Compensation Corporation	2,110	4,780	4,780
	6,318	13,768	14,162

Supplementary Information

Jim H. Stevens, Jr. & Company, L.L.P.

Certified Public Accountants

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Bill W. Smith, CPA

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Independent Auditor's Report on Internal Control Structure
in Accordance With *Government Auditing Standards*

Board of Directors
The ARC of North Webster
Sarepta, Louisiana

We have audited the financial statements of The ARC of North Webster as of and for the year ended June 30, 1996, and have issued our report thereon dated December 19, 1996.

We conducted our audit 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.

The management of The ARC of North Webster is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the ARC of North Webster for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data in a manner that is consistent with the assertions of management in the financial statements.

The reportable conditions noted are as follows:

Finding: We noted in our report dated December 1, 1995, that deposits for the service station and bake shop were not being made intact daily, and deposits were not being reconciled to the monthly cash report. As of June 30, 1996, deposits were being made daily, but these deposits were not being reconciled to daily reports and differences noted.

Recommendation: We continue to recommend that deposits be made daily and such deposits be reconciled to the daily cash report by management. We further recommend that sales be recorded at amounts shown on the daily reports as reconciled, and that differences be recorded as cash over or (short).

Management's Response: We concur with this finding and will establish the recommended procedures.

Finding: A control record is not being maintained of the service station accounts receivable and the individual accounts reconciled. As reported for year ended June 30, 1995, there appears to be an unknown loss from collection of accounts receivable. This problem has been compounded by changes in personnel who knew the customers and how to reach them.

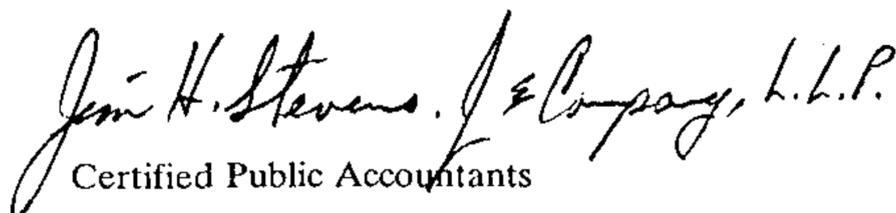
Recommendation: We continue to recommend that a control account be established, preferably on the general ledger, and that the accounts receivable be reconciled under the direction of management on a monthly basis. We further recommend that like procedures be established for the bake shop and for contract yard work. We further recommend that a formal evaluation of outstanding receivables be done by management on a monthly basis and reviewed by the president of the board quarterly.

Management's Response: We concur with the finding and will begin implementing the recommendation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe both of the reportable conditions listed above to also be material weakness.

This report is intended for the information of management, the legislative auditor, and the cognizant funding agency. This restriction is not intended to limit the distribution of this report, which is a matter of public record.


Certified Public Accountants

December 19, 1996

Jim H. Stevens, Jr. & Company, L.L.P.

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Independent Auditor's Report on Compliance Based on an
Audit of Financial Statements Performed in Accordance With
Government Auditing Standards

Board of Directors
The ARC of North Webster
Sarepta, Louisiana

We have audited the financial statements of The ARC of North Webster as of and for the year ended June 30, 1996, and have issued our report thereon dated December 19, 1996.

We conducted our audit 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.

Compliance with laws, regulations, contracts, and grants applicable to The ARC of North Webster is the responsibility of the management of The ARC of North Webster. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of The ARC of North Webster's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests of compliance disclosed the following instances of noncompliance that may be material to the financial statements but for which the ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in The ARC of North Webster's financial statements.

The ARC of North Webster is in violation of LSA-RS 44:36 in that many accounts receivable subsidiary records and daily cash reports for the service station are missing.

We considered these instances of noncompliance in forming our opinion on whether The ARC of North Webster's financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated December 19, 1996, on those financial statements.

This report is intended for the information of management, the legislative auditor, and the cognizant funding agency. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

John H. Stevens, J. & Company, L.L.P.
Certified Public Accountants

December 19, 1996

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Single Audit Report on the Internal Control Structure
Used in Administering Federal Awards

Board of Directors
The ARC of North Webster
Sarepta, Louisiana

We have audited the financial statements of The ARC of North Webster, as of and for the year ended June 30, 1996, and have issued our report thereon dated December 19, 1996.

We conducted our audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Learning and Other Non-Profit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit for the year ended June 30, 1996, we considered the internal control structure of The ARC of North Webster in order to determine our auditing procedures for the purpose of expressing our opinion on The ARC of North Webster's financial statements and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal programs. We have addressed policies and procedures relevant to our audit of the financial statements in a separate report dated December 19, 1996.

The management of The ARC of North Webster is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal awards programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administrating federal financial assistance programs in the following categories:

- Cash
- Support, program service fees, revenues and receivables
- Expenses for goods and services and accounts payable
- Payroll and related liabilities
- Property and equipment
- Governmental financial assistance programs
 - General Requirements:
 - Political activity
 - Civil rights
 - Cash management
 - Federal financial reports
 - Allowable costs
 - Drug-free workplace
 - Administration requirements

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended June 30, 1996, The ARC of North Webster, had no major federal award programs and expended 100 percent of its total financial assistance under the following state award program:

Department of Health and Human Services - Office for Citizens with Developmental Disabilities

We performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the aforementioned programs. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Organization's ability to administer federal award programs in accordance with applicable laws and regulations.

The reportable conditions noted are as follows:

Finding: Deposits for the service station and bake shop are not being reconciled to the daily cash reports.

Recommendation: We recommend that deposits be made daily and such deposits be reconciled to the cash report by management. We further recommend that differences be reported as cash over (short) on the general ledger.

Management's Response: We concur with this finding and will established the recommended procedures.

Finding: A control record is not being maintained of the accounts receivable of the service station, bake shop and yard work and the individual accounts reconciled.

Recommendation: We recommend that a control account be established, preferably on the general ledger, and that the accounts receivable be reconciled under the direction of management on a monthly basis. We further recommend that the accounts be evaluated for collectability each month.

Management's Response: We concur with the finding and will begin implementing the recommendation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal award program 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 structure policies and procedures used in administering federal awards would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that both of the reportable conditions described above are material weaknesses.

This report is intended for the information of management, the legislative auditor, and the cognizant funding agency. This restriction is not intended to limit the distribution of this report, which is a matter of public record.


Certified Public Accountants

December 19, 1996

Independent Auditor's Report on Compliance With the
General Requirements Applicable to Federal Awards Programs

Board of Directors
The ARC of North Webster
Sarepta, Louisiana

We have audited the financial statements of The ARC of North Webster as of and for the year ended June 30, 1996, and have issued our report thereon dated December 19, 1996.

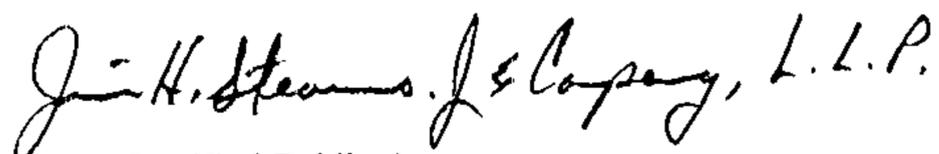
We have applied procedures to test The ARC of North Webster's compliance with the following requirements applicable to its federal programs, which are identified in the schedule of federal and state awards, for the year ended June 30, 1996:

- (1) Political Activity
- (2) Civil Rights
- (3) Cash Management
- (4) Federal Financial reports
- (5) Allowable costs/cost principles
- (6) Drug Free Work-place
- (7) Administrative Requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Audits of Institutions of Higher Learning and Other Non-profit Institutions." Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on The ARC of North Webster's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no instances of noncompliance with the requirements listed in the first paragraph of this report. With respect to those items not tested, nothing came to our attention that caused us to believe that The ARC of North Webster had not complied, in all material respects, with those requirements. Also, the results of our procedures did not disclose any immaterial instances of noncompliance with those requirements.

This report is intended for the information of the management, the legislative auditor, and cognizant funding agency. However, this report is a matter of public record, and its distribution is not limited.


Certified Public Accountants

December 19, 1996

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Independent Auditor's Report on Compliance With Specific Requirements
Applicable to Major Programs

Board of Directors
The ARC of North Webster
Sarepta, Louisiana

We have audited the financial statements of The ARC of North Webster as of and for the year ended June 30, 1996, and have issued our report thereon dated December 19, 1996.

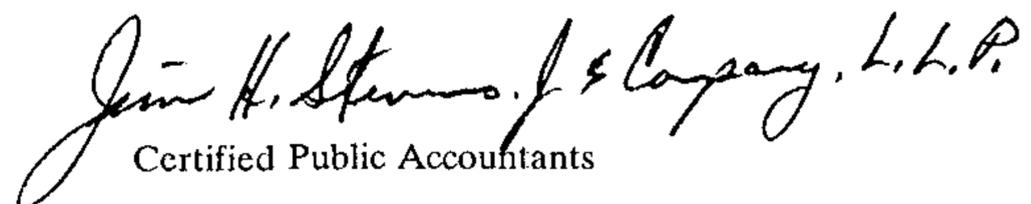
We have also audited The ARC of North Webster's compliance with the requirements governing types of services allowed or not allowed; eligibility; and reporting that are applicable to each of the major federal and state programs, which are identified in the accompanying schedule of state awards for the year ended June 30, 1996. The management of The ARC of North Webster is responsible for the Organization's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Non-profit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures did not disclose any immaterial instances of noncompliance with the requirements referred to above.

In our opinion, The ARC of North Webster complied, in all material respects, with the requirements governing types of services allowed or not allowed; eligibility; and reporting that are applicable to each of its major federal and state programs for the year ended June 30, 1996.

This report is intended for the information of management, the legislative auditor, and cognizant funding agency. However, this report is a matter of public record, and its distribution is not limited.


Certified Public Accountants

December 19, 1996

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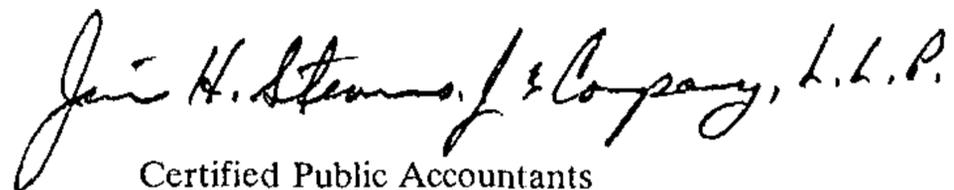
Independent Auditor's Report On Schedule of State Awards

Board of Directors
The ARC of North Webster
Sarepta, Louisiana

We have audited the financial statements of The ARC of North Webster as of June 30, 1996, and have issued our report thereon dated December 19, 1996. These financial statements are the responsibility of The ARC of North Webster's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133 "Audits of Institutions of Higher Education and Other Non-profit Institutions." Those standards and OMB Circular A-133 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.

Our audit was made for the purpose of forming an opinion on the financial statements of The ARC of North Webster taken as a whole. The accompanying schedule of state awards is presented for purposes of additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.


Certified Public Accountants

December 19, 1996

THE ARC OF NORTH WEBSTER

Schedule of State Awards
For the Year Ended June 30, 1996

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Pass-Through CFDA Number</u>	<u>Grantor's Number</u>	<u>Disbursements/ Expenditures</u>
<u>State Awards</u>			
Department of Health and Hospitals/Office for Citizens with Developmental Disabilities			<u>151,385</u>
Total State Awards			<u><u>151,385</u></u>

See auditor's report and notes to schedule of state awards.

THE ARC OF NORTH WEBSTER

Notes to Schedule of State Awards
June 30, 1996

1. General

The accompanying Schedule of State Awards presents the activity of all federal and state award programs for The ARC of North Webster. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

2. Basis of Accounting

The accompanying Schedule of Federal and State Awards is presented using the accrual basis of accounting.

3. Reconciliation of Revenues

Federal and Louisiana Medicaid funds are not included in the Schedule of Federal and State Awards.

THE ARC OF NORTH WEBSTER
SAREPTA, LOUISIANA

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FINANCIAL STATEMENTS

June 30, 1996

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. 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 3-26-97

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THE ARC OF NORTH WEBSTER

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Jim H. Stevens, Jr. & Company, L.L.P.
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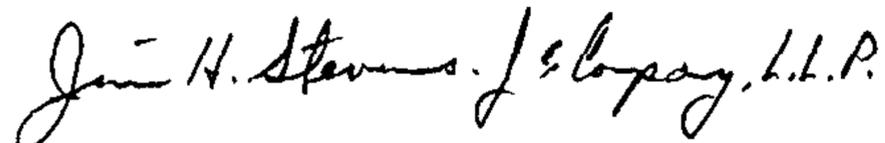
Independent Auditor's Report

Board of Directors
The ARC of North Webster
Sarepta, Louisiana

We have audited the accompanying statements of financial position of The ARC of North Webster as of June 30, 1996 and 1995, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of The ARC of North Webster's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133 "Audits of Institutions of Higher Education and Other Non-profit Institutions." 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 ARC of North Webster as of June 30, 1996 and 1995, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.



Certified Public Accountants

December 19, 1996

THE ARC OF NORTH WEBSTER

Statements of Financial Position June 30, 1996 and 1995

ASSETS

	<u>1996</u>	<u>1995</u>
Cash and cash equivalents	56,346	120,246
Short-term investments	13,428	
Accounts receivable - net	106,847	89,302
Prepaid taxes & expenses		6,138
Inventory	1,242	1,242
Land, building and equipment - net	151,511	138,978
Utility deposits	<u>699</u>	<u>699</u>
Total Assets	<u><u>330,073</u></u>	<u><u>356,605</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	8,327	19,854
Accrued and withheld taxes and expense	3,284	37,477
Current portion of notes payable	6,503	
Notes payable - due after one year	<u>20,795</u>	
Total Liabilities	<u>38,909</u>	<u>57,331</u>

Net Assets

Unrestricted	<u>291,164</u>	<u>299,274</u>
Total Unrestricted Net Assets	<u>291,164</u>	<u>299,274</u>
Total Liabilities and Net Assets	<u><u>330,073</u></u>	<u><u>356,605</u></u>

See accompanying notes to financial statements.

THE ARC OF NORTH WEBSTER

Statements of Activities
For the Years Ended June 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Public Support		
Grants from federal agencies	281,412	247,347
Grants from state agencies	159,212	160,527
Contributions	2,778	855
Special events	1,315	2,062
Allocated by United Way	8,138	9,583
Total Public Support	<u>452,855</u>	<u>420,374</u>
Revenues		
Program related revenue:		
Work center sales:		
Gross revenue	126,494	124,145
Direct costs	<u>(85,647)</u>	<u>(80,676)</u>
Work center sales - net	<u>40,847</u>	<u>43,469</u>
Revenues from support homes:		
Bell Oaks home	69,450	55,103
Brighter Tomorrows home	28,280	34,360
Evergreen home	<u>27,460</u>	<u>30,080</u>
Total revenues from support homes	<u>125,190</u>	<u>119,543</u>
Program service fees:		
Client meals		
Gross revenue	5,439	8,365
Direct costs	<u>(6,758)</u>	<u>(6,597)</u>
Client meals - net	<u>(1,319)</u>	<u>1,768</u>
Other revenue:		
Interest income	2,293	2,285
Members dues	1,120	1,360
Miscellaneous income	<u>6,409</u>	<u>5,147</u>
Total other revenues	<u>9,822</u>	<u>8,792</u>
Total revenues	<u>174,540</u>	<u>173,572</u>
Total public support and revenues	<u>627,395</u>	<u>593,946</u>
Expenses		
Program services	<u>589,666</u>	<u>568,272</u>
Supporting services:		
Management and general	<u>45,839</u>	<u>51,560</u>
Total supporting services	<u>45,839</u>	<u>51,560</u>
Total expenses	<u>635,505</u>	<u>619,832</u>
Increase (Decrease) in net assets	<u>(8,110)</u>	<u>(25,886)</u>
Net assets at beginning of year	299,274	331,478
Prior period adjustment	<u> </u>	<u>(6,318)</u>
Net assets at ending of year	<u>291,164</u>	<u>299,274</u>

See accompanying notes to financial statements.

THE ARC OF NORTH WEBSTER

Statement of Functional Expenses For the Year Ended June 30, 1996

	<u>Program Services</u>	<u>Management and General</u>	<u>Total 1996</u>
Salaries	434,677		434,677
Payroll taxes	41,136		41,136
Insurance - Workers' Compensation and Health	<u>38,732</u>		<u>38,732</u>
Total salaries and related expenses	<u>514,545</u>		<u>514,545</u>
Advertising and public relations		1,970	1,970
Automotive expenses	16,674		16,674
Banquet expense	1,824		1,824
Collection expense		35	35
Contract labor			
Dues and subscriptions		510	510
Equipment rental	400		400
Freight			
Insurance - general	7,791		7,791
Interest expense		66	66
Legal and professional		12,640	12,640
License and permits	2,140		2,140
Meals and entertainment		36	36
Medical expense	9		9
Miscellaneous		387	387
Office expense		2,846	2,846
Repairs and maintenance		5,931	5,931
Supplies	3,908	3,705	7,613
Telephone		3,824	3,824
Travel, conventions and seminars		3,450	3,450
Travel and other expense - PCA and Respite	16,650		16,650
Utilities		<u>10,439</u>	<u>10,439</u>
Total expenses before depreciation	<u>49,396</u>	<u>45,839</u>	<u>95,235</u>
Depreciation	<u>25,725</u>		<u>25,725</u>
Total expenses	<u><u>589,666</u></u>	<u><u>45,839</u></u>	<u><u>635,505</u></u>

See accompanying notes to financial statements.

THE ARC OF NORTH WEBSTER

Statement of Functional Expenses For the Year Ended June 30, 1995

	<u>Program Services</u>	<u>Management and General</u>	<u>Total 1995</u>
Salaries	425,746		425,746
Payroll taxes	32,923		32,923
Insurance - Workers' Compensation and Health	<u>24,949</u>		<u>24,949</u>
Total salaries and related expenses	<u>483,618</u>		<u>483,618</u>
Advertising and public relations		3,148	3,148
Automotive expenses	14,454		14,454
Banquet expense	169		169
Collection expense		20	20
Contract labor	708		708
Dues and subscriptions		1,558	1,558
Equipment rental			
Freight	49		49
Insurance - general	23,409		23,409
Interest expense		55	55
Legal and professional		6,854	6,854
License and permits	516		516
Meals and entertainment		780	780
Medical expense	99		99
Miscellaneous		2,380	2,380
Office expense		4,297	4,297
Repairs and maintenance		5,015	5,015
Supplies	6,802	3,839	10,641
Telephone		3,342	3,342
Travel, conventions and seminars		8,337	8,337
Travel and other expense - PCA and Respite	7,684		7,684
Utilities		<u>11,935</u>	<u>11,935</u>
Total expenses before depreciation	<u>53,890</u>	<u>51,560</u>	<u>105,450</u>
Depreciation	<u>30,764</u>		<u>30,764</u>
Total expenses	<u><u>568,272</u></u>	<u><u>51,560</u></u>	<u><u>619,832</u></u>

See accompanying notes to financial statements.