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THE ARC OF ST. CHARLES, INC.
FINANCIAL STATEMENTS
June 30, 2004 and 2003

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 1-19-05

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INDEPENDENT AUDITOR'S REPORT

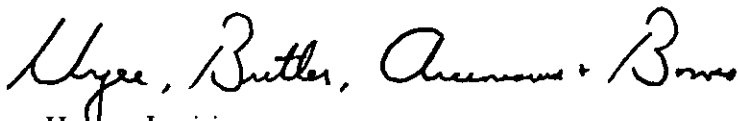
To the Board of Directors
The ARC of St. Charles, Inc.
Boutte, Louisiana

We have audited the accompanying statements of financial position of The ARC of St. Charles, Inc. (a nonprofit organization) as of June 30, 2004 and 2003, and the related statements of activities, functional expenses and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of The ARC of St. Charles, Inc. as of June 30, 2004 and 2003, and the changes in its net assets and its cash flows for the years 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 16, 2003, on our consideration of the ARC of St. Charles, Inc.'s internal control over financial reporting and its compliance with certain provisions of laws, regulations, contracts and grants. That report is listed in the accompanying Table of Contents and is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be read in confirmation with this report in considering the results of our audits.



Harvey, Louisiana
December 15, 2004

THE ARC OF ST. CHARLES, INC.
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2004 AND 2003

ASSETS

	<u>2004</u>	<u>2003</u>
Current Assets		
Cash	\$199,197	\$ 149,645
Accounts Receivable	167,083	124,290
Prepaid Insurance	<u>-0-</u>	<u>1,572</u>
Total Current Assets	<u>366,280</u>	<u>275,507</u>
Property and Equipment		
Building	234,352	186,882
Furniture and Equipment	105,054	75,585
Vehicles	<u>93,523</u>	<u>88,938</u>
	432,929	351,405
Less: Accumulated Depreciation	<u>(120,170)</u>	<u>(101,165)</u>
Net Property and Equipment	<u>312,759</u>	<u>250,240</u>
TOTAL ASSETS	<u>\$679,039</u>	<u>\$525,747</u>

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

THE ARC OF ST. CHARLES, INC.
STATEMENTS OF FINANCIAL POSITION - CONTINUED
JUNE 30, 2004 AND 2003

LIABILITIES AND NET ASSETS

	<u>2004</u>	<u>2003</u>
Current Liabilities		
Accounts payable	\$22,014	\$ 7,048
Payroll taxes payable	14	2
Accrued payroll	-0-	7,268
Current portion of long term debt	<u>4,245</u>	<u>3,900</u>
Total Current Liabilities	<u>26,273</u>	<u>18,218</u>
Non-Current Liabilities		
Notes payable	<u>88,238</u>	<u>92,483</u>
Net Assets		
Unrestricted	<u>564,528</u>	<u>415,046</u>
Total Net Assets	<u>564,528</u>	<u>415,046</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>679,039</u>	\$ <u>525,747</u>

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

THE ARC OF ST. CHARLES, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2004 AND 2003

UNRESTRICTED NET ASSETS

	<u>2004</u>	<u>2003</u>
Support		
Dept. of Health and Hospital Services - Office of Citizens with Developmental Disabilities	\$ 241,983	\$ 231,931
Dept. of Health and Hospital Services - Medicaid	1,296,169	821,182
Res-Care, Inc.	79,630	76,663
Vocational Rehabilitation	21,503	8,411
United Way - Respite	20,000	20,000
Supported Employment/Job Revenue	229,385	220,123
United Way	47,000	47,000
Transportation Charges	13,435	11,217
Contributions	21,487	6,533
Gain on Disposal of Assets	-0-	1,050
Interest Income	647	1,115
Fund Raising	11,903	3,665
United Way - Daycare	17,211	29,621
Self Advocacy	<u>438</u>	<u>455</u>
 TOTAL SUPPORT	 <u>2,000,791</u>	 <u>1,478,966</u>
 Expenses		
Program Services	1,699,401	1,282,396
Supporting Services	<u>152,585</u>	<u>115,170</u>
 TOTAL EXPENSES	 <u>1,851,986</u>	 <u>1,397,566</u>
 INCREASE IN UNRESTRICTED NET ASSETS	 <u>148,805</u>	 <u>81,400</u>
 TEMPORARILY RESTRICTED NET ASSETS		
Special Olympics Grant and Donations	8,500	8,500
Special Olympic Expenses	<u>(7,823)</u>	<u>(11,038)</u>
 INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	 <u>677</u>	 <u>(2,538)</u>
 TOTAL INCREASE IN NET ASSETS	 149,482	 78,862
 Net Assets, Beginning of Year	 <u>415,046</u>	 <u>336,184</u>
 Net Assets, End of Year	 \$ <u>564,528</u>	 \$ <u>415,046</u>

THE ARC OF ST. CHARLES, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 YEARS ENDED JUNE 30, 2004 AND 2003

	<u>JUNE 30, 2004</u>		<u>JUNE 30, 2003</u>	
	<u>PROGRAM</u> <u>SERVICES</u>	<u>SUPPORTING</u> <u>SERVICES</u>	<u>PROGRAM</u> <u>SERVICES</u>	<u>SUPPORTING</u> <u>SERVICES</u>
Payroll - Staff	\$1,143,364	\$ 96,626	\$ 845,312	\$ 74,231
Payroll - Clients	100,370	-0-	79,848	-0-
Payroll - Taxes	114,952	7,886	85,651	5,932
Retirement	3,191	2,223	1,766	2,142
Bonus and Awards	3,700	-0-	2,900	-0-
Insurance - Health	29,566	1,271	24,863	89
Professional Fees	6,009	2,106	6,209	883
Dues	6,560	-0-	4,982	-0-
Equipment	1,733	14,818	1,566	599
Licenses	911	-0-	868	-0-
Maintenance and Repairs	22,517	8,369	25,325	10,849
Miscellaneous	4,631	554	3,022	-0-
Office Supplies	6,900	6,919	5,474	5,371
Supplies	51,471	-0-	39,797	-0-
Telephone	11,324	4,617	7,980	5,157
Travel and Seminars	15,997	2,009	13,252	4,732
Fuel	12,382	-0-	10,628	-0-
Property and Liability				
Insurance	20,808	4,007	21,845	4,236
Insurance - Workers'				
Compensation	68,995	1,180	49,999	949
Bad Debt Expense	1,000	-0-	-0-	-0-
Entertainment	1,476	-0-	2,257	-0-
Newsletter	324	-0-	296	-0-
Depreciation	37,960	-0-	30,320	-0-
Employee Expense	13,864	-0-	5,892	-0-
Fund Raising	6,237	-0-	2,282	-0-
Daycare - Electricity	3,357	-0-	2,103	-0-
Daycare-Water and Sewer	72	-0-	67	-0-
Interest	<u>9,730</u>	<u>-0-</u>	<u>7,892</u>	<u>-0-</u>
Total	<u>\$ 1,699,401</u>	<u>\$ 152,585</u>	<u>\$ 1,282,396</u>	<u>\$115,170</u>

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

THE ARC OF ST. CHARLES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2004 AND 2003

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2004</u>	<u>2003</u>
Increase in Net Assets	\$ 149,482	\$ 78,862
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	37,960	30,320
Gain on Disposal of Assets	-0-	(1,050)
(Increase) Decrease in Current Assets:		
Accounts Receivable	(42,793)	(16,916)
Prepaid Insurance	1,572	(1,572)
Increase (Decrease) in Current Liabilities:		
Accounts payable	14,966	5,935
Payroll Taxes Payable	11	(32)
Accrued Payroll	(7,268)	7,268
Accrued Vacation/Sick Pay	<u>-0-</u>	<u>(307)</u>
Net Cash Provided by Operating Activities	<u>153,930</u>	<u>102,508</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(100,478)	(172,106)
Proceeds From Sale of Assets	<u>-0-</u>	<u>1,050</u>
Net Cash Used By Investing Activities	<u>(100,478)</u>	<u>(171,056)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in Notes Payable	<u>(3,900)</u>	<u>96,383</u>
Net Increase in Cash	49,552	27,835
Cash, Beginning of Year	<u>149,645</u>	<u>121,810</u>
Cash, End of Year	\$ <u>199,197</u>	\$ <u>149,645</u>

THE ARC OF ST. CHARLES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2004 AND 2003

1. SIGNIFICANT ACCOUNTING POLICIES

- A. The financial statements of The ARC of St. Charles, Inc. (a nonprofit organization) have been prepared on the accrual basis; therefore certain revenues and the related assets are recognized when earned rather than when received and certain expenses are recognized when the obligation is incurred rather than when paid. These policies have been consistently applied in the preparation of the financial statements. The corporation has no capital stock.
- B. Business Activity
The ARC of St. Charles, Inc. trains the mentally and physically handicapped citizens of the parish that are over 17 years of age. The areas of training include self-help, social skills, pre-vocational, independent living, mobile work crews, personal hygiene, daily living skills - making change, telling time, safety - recognition of danger signs, physical training and maximization of individual potential. The organization also provides transportation for all activities including daily instruction classes. In addition, a day care operation for children was opened in 2003.
- C. Property and Equipment
Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restriction regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service as structured by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method. Acquisitions of property and equipment in excess of \$200 and having a useful life of over one year are capitalized.
- D. Cash and Cash Equivalents
The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.
- E. Accounts Receivable
The Organization, in regards to uncollectible accounts, utilizes the direct write off method. Bad debts written off were \$1,000 and -0- for the years ended June 30, 2004 and 2003 respectively.

THE ARC OF ST. CHARLES, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2004 AND 2003

F. Financial Statement Presentation

In 1997, the Organization adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organization." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net asset; unrestricted net assets, temporarily restricted net assets, and permanently restricted assets. In addition, the Organization is required to present a statement of cash flows. As permitted by this new statement, the Organization has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that *affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.* Actual results could differ from those statements.

2. LEASES

The Organization leases its facilities from the St. Charles Parish School Board under a monthly operating lease at no charge. The Organization pays all insurance, maintenance and improvements. The lessor may cancel the lease if the facilities are needed for school purposes.

3. CONTRIBUTED SERVICES

A number of unpaid volunteers have made contributions of their time to the Organization during the year. The value of this contributed time is not reflected in these statements since it is not material and is not susceptible to objective measurement or valuation.

4. CONTRIBUTED ASSETS

The Organization received a contribution of various ceramic manufacturing equipment in the fiscal year ended June 30, 2004, which is reported at its fair market value. All assets contributed to the Organization are recorded at their estimated fair market value.

THE ARC OF ST. CHARLES, INC.
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 YEARS ENDED JUNE 30, 2004 AND 2003

5. CONTRACT REVENUES

The organization entered into a contract with the Office of Mental Retardation, Department of Health and Hospitals to provide training to the mentally and developmentally handicapped citizens over 17 years of age in St. Charles Parish. The areas of training include self-help, social skills, pre-vocational, independent living, mobile work crews and behavioral skills. Under the agreement, for the fiscal year ended June 30, 2004, the Department of Health and Hospitals will pay up to \$194,192 (amended 2/01/04).

The Organization also entered into a contract with Res-Care, Inc. (a residential provider) to provide day training at \$28.86 per client day. The training provided is explained in the preceding paragraph.

The Organization also receives revenues for providing training and daycare to Medicaid clients.

6. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	<u>2004</u>	<u>2003</u>
St. Charles School Board	\$ 24,601	\$ 14,424
Dept. of Health & Hospitals	46,597	25,750
Medicaid	72,357	55,135
Res-Care, Inc.	12,870	14,902
Vocational Rehabilitation	551	551
Miscellaneous	10,107	14,528
Lakewood Apartments	<u>-0-</u>	<u>1,000</u>
	<u>\$ 167,083</u>	<u>\$ 124,290</u>

7. NOTES PAYABLE

The Organization purchased a portable building during the year ended June 30, 2003 for use as a day care center. As a result, it signed a note payable for \$100,000 with a local bank at eight percent interest. The term of the loan is five years with a balloon payment of \$79,022.31 due July 15, 2007.

THE ARC OF ST. CHARLES, INC.
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 YEARS ENDED JUNE 30, 2004 AND 2003

The maturities of the notes payable over the next five years are as follows:

<u>Year ended</u>	
June 30, 2004	3,900
June 30, 2005	4,245
June 30, 2006	4,487
June 30, 2007	4,729
June 30, 2008	<u>79,022</u> (Due July 15, 2007)
TOTAL	<u>96,383</u>

8. ECONOMIC DEPENDENCY

The Organization depends on the Department of Health and Hospitals for a major portion of its support.

9. FINANCIAL INSTRUMENTS WITH OF-BALANCE-SHEET RISKS

The ARC of St. Charles, Inc. extends a substantial amount of credit to several nonprofit and state agencies such as the Department of Health and Hospitals and Res-Care, Inc.

10. INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

11. TEMPORARILY RESTRICTED NET ASSETS

There were no temporarily restricted net assets as of June 30, 2004 or 2003.

12. THREATENED AND PENDING LITIGATION

The ARC of St. Charles, Inc. is a named defendant in a lawsuit, which it is vigorously defending. Such matters arise out of the normal course of operations. While the results of litigation cannot be predicted with certainty, management believes, based on the advice of legal counsel, the final outcome of such litigation will not have a material adverse effect on The ARC of St. Charles, Inc.'s financial position.

13. DEFERRED COMPENSATION PLAN

The Board of Directors approved a Deferred Compensation Plan for its employees. The ARC may contribute to the plan each year at the discretion of the Board. Contributions of \$5,414 were made for the year ended June 30, 2004.

THE ARC OF ST. CHARLES, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEARS ENDED JUNE 30, 2004 AND 2003

14. BANK ACCOUNTS

Under SFAS No. 17 as amended by SFAS NO. 133, the Organization is required to disclose when total deposits held at one banking institution exceed \$100,000 (exceeding FDIC limit). For the fiscal year ended June 30, 2004, and 2003 total deposits held at one bank were \$138,277 and \$149,645 respectively, which represents a “concentration of credit risk”.

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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

Board of Directors
The ARC of St. Charles, Inc.
Boutte, Louisiana

We have audited the accompanying financial statement of The ARC of St. Charles, Inc. (a nonprofit organization) as of and for the year ended June 30, 2004, and have issued our report thereon dated December 15, 2004. We conducted our audit in accordance with 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 a part of obtaining reasonable assurance about whether The ARC of St. Charles, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of the financial statements 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*.

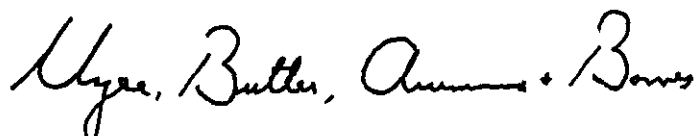
Internal Control Over Financial Reporting

In planning and performing our audit, we considered The ARC of St. Charles, 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.

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The ARC of St. Charles, Inc.

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

A handwritten signature in cursive script that reads "Uzee, Butler, Arceneux + Bowes".

Harvey, Louisiana
December 15, 2004