

THE ARC OF NORTH WEBSTER**SAREPTA, LOUISIANA****FINANCIAL STATEMENTS****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

THE ARC OF NORTH WEBSTER

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Independent Auditor's Report

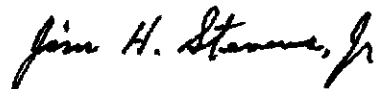
To the Board of Directors
The ARC of North Webster
Sarepta, Louisiana

I have audited the accompanying statements of financial position of The ARC of North Webster 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 ARC of North Webster's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my 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, 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*, I have also issued my report dated November 10, 2004, on my consideration of The ARC of North Webster's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.



Certified Public Accountant

November 10, 2004

THE ARC OF NORTH WEBSTER

Statements of Financial Position June 30, 2004 and 2003

Assets	2004	2003
Current Assets		
Cash and cash equivalents	39,792	57,976
Accounts receivable - net	73,718	76,528
Accrued interest	2	3
Inventory	2,083	1,695
Total Current Assets	115,595	136,202
Investment		
Investment - stock - at cost	1,118	1,118
Property, Plant and Equipment		
Land	5,000	5,000
Buildings and renovations	167,103	167,103
Furniture, fixtures and equipment	160,495	157,819
Automotive equipment	167,210	122,991
Total Property, Plant and Equipment	499,808	452,913
Accumulated depreciation	(344,472)	(344,554)
Total Property, Plant and Equipment - Net	155,336	108,359
Other Assets		
Utility Deposit	699	699
Total Assets	272,748	246,378
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	3,543	11,858
Accrued and withheld taxes and expenses	1,923	7,295
Total Current Liabilities	5,466	19,153
Net Assets		
Unrestricted	267,282	227,225
Total Unrestricted Net Assets	267,282	227,225
Total Liabilities and Net Assets	272,748	246,378

THE ARC OF NORTH WEBSTER

Statements of Activities
June 30, 2004 and 2003

	2004	2003
Public Support		
Grants from federal agencies	234,512	204,677
Grants from state agencies	231,319	186,071
Contributions	2,332	152
Special events	4,440	692
Allocated by United Way	7,406	7,009
Total Public Support	480,009	398,601
Revenues		
Program related revenue		
Work center sales:		
Gross revenue	159,832	134,237
Direct costs	(95,573)	(86,820)
Work center sales - net	64,259	47,417
Revenues from support homes:		
Bell Oaks home	34,057	42,913
Brighter Tomorrows home	8,540	20,160
Evergreen home	75,640	67,640
Delhi Community Group home	16,710	20,085
Total revenues from support homes	134,947	150,798
Other Revenue		
Gain on Sale of Asset	1,600	
Interest Income	325	850
Members dues	540	455
Miscellaneous income	8,031	7,958
Total other revenues	10,496	9,263
Total revenues	209,702	207,478
Total public support and revenues	689,711	606,079
Expenses		
Program Services	589,005	560,879
Supporting services:		
Management and general	60,649	62,059
Total supporting services	60,649	62,059
Total expenses	649,654	622,938
Increase (Decrease) in net assets	40,057	(16,859)
Net assets at beginning of year	227,225	244,084
Net assets at ending of year	267,282	227,225

See accompanying notes to financial statements.

THE ARC OF NORTH WEBSTER

Statements of Functional Activities June 30, 2004

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	430,315		430,315
Payroll taxes	29,853		29,853
Insurance - Workers' Compensation and Health	51,461		51,461
Total salaries and related expenses	<u>511,629</u>		<u>511,629</u>
Advertising and public relations		2,191	2,191
Automotive expenses	21,531		21,531
Banquet expense	2,065		2,065
Contract Labor		3,457	3,457
Dues and subscriptions		1,578	1,578
Equipmental rental	48		48
Fundraiser - Dinner	1,193		1,193
Insurance - general	13,900		13,900
Interest expense		9	9
Janitorial Expense		3,778	3,778
Legal and professional		10,710	10,710
License and permits	1,060		1,060
Meals and entertainment		43	43
Medical expense	1,145		1,145
Miscellaneous		2,793	2,793
Office expense		5,594	5,594
Repairs and maintenance		6,021	6,021
Supplies	2,203	3,132	5,335
Taxes, Other	301		301
Telephone		6,207	6,207
Travel, conventions and seminars		343	343
Travel and other expense - PCA and Respite	2,082		2,082
Utilities		14,793	14,793
Total expenses before depreciation	<u>45,528</u>	<u>60,649</u>	<u>106,177</u>
Depreciation	31,848		31,848
Total expenses	<u>589,005</u>	<u>60,649</u>	<u>649,654</u>

THE ARC OF NORTH WEBSTER

Statements of Functional Activities June 30, 2003

	Program Services	Management and General	Total
Salaries	421,418		421,418
Payroll taxes	32,461		32,461
Insurance - Workers' Compensation and Health	44,654		44,654
Total salaries and related expenses	498,533		498,533
Advertising and public relations		767	767
Automotive expenses	11,651		11,651
Banquet expense	2,159		2,159
Collection expense	180		180
Dues and subscriptions		1,992	1,992
Insurance - general	17,293		17,293
Legal and professional		10,797	10,797
License and permits	655		655
Meals and entertainment		415	415
Medical expense	759		759
Miscellaneous		2,625	2,625
Office expense		6,586	6,586
Repairs and maintenance		7,263	7,263
Supplies	6,565	3,785	10,350
Telephone		6,267	6,267
Travel, conventions and seminars		1,913	1,913
Travel and other expense - PCA and Respite	829		829
Utilities		19,649	19,649
Total expenses before depreciation	40,091	62,059	102,150
Depreciation	22,255		22,255
Total expenses	560,879	62,059	622,938

THE ARC OF NORTH WEBSTER

Statements of Cash Flows June 30, 2004 and 2003

	2004	2003
Cash flows from operating activities		
Increase (decrease) in net assets	40,057	(16,859)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31,848	22,255
(Gain) loss on sale of property	(1,600)	
(Increase) decrease in accounts receivable	2,810	(2,260)
(Increase) decrease in accrued interest	1	
(Increase) decrease in inventories	(388)	(661)
Increase (decrease) in accounts payable	(8,315)	3,798
Increase (decrease) in accrued liabilities	(5,372)	2,630
Total Adjustments	18,984	25,762
Net cash provided (used) by operating activities	59,041	8,903
Cash flows from investing activities		
Cash payments for purchase of property	(78,825)	(23,629)
Cash proceeds from the sale of property	1,600	
Net cash provided (used) by investing activities	(77,225)	(23,629)
Net increase (decrease) in cash and cash equivalents	(18,184)	(14,726)
Cash and cash equivalents, beginning of year	57,976	72,702
Cash and cash equivalents, end of year	39,792	57,976

THE ARC OF NORTH WEBSTER

Notes to Financial Statements
June 30, 2004 and 2003

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. 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 to be cash and cash equivalents.

Investments

Investment-stock consists of 60 shares of IBM stock at June 30, 2004 and 2003, consisting of 15 shares of stock, which was donated to the ARC and subsequently split two-for-one on two separate occasions. The stock was recorded at its estimated fair value at the date of donation.

Uncollectible accounts

Management has established an allowance for doubtful accounts to record the estimated amount of accounts, which will be uncollectible at the end of each year.

(Continued)

THE ARC OF NORTH WEBSTER

Notes to Financial Statements
June 30, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

Property, plant and equipment are 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, 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 for operations 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 to be cash equivalents.

(Continued)

THE ARC OF NORTH WEBSTER

Notes to Financial Statements
June 30, 2004 and 2003

2. CASH AND CASH EQUIVALENTS

	<u>2004</u>	<u>2003</u>
Cash is summarized as follows:		
Petty Cash	400	300
Cash on hand	374	1,158
Cash in checking accounts	4,870	6,691
Cash in interest-bearing accounts	34,148	49,827
Total	<u>39,792</u>	<u>57,976</u>

At June 30, 2004 and 2003, the carrying amounts of the ARC's deposits total \$39,792 and \$57,976 respectively and the bank balances total \$66,345 and \$79,593. At June 30, 2004 and 2003, all deposits are secured by FDIC insurance.

3. ACCOUNTS RECEIVABLE

	<u>2004</u>	<u>2003</u>
Accounts receivable are summarized as follows:		
Accounts receivable - customers - net	14,700	10,303
Accounts receivable - DOTD - van deposit		15,230
Due from federal agencies - net	48,238	38,917
Due from sponsoring homes	10,780	12,078
Total	<u>73,718</u>	<u>76,528</u>

Accounts receivable - customers are reported net of allowances for doubtful accounts at June 30, 2004 and 2003, in the amounts of \$651 and \$867 respectively. Also, due from federal agencies is reported net of an allowance for doubtful accounts in the amount of \$1,304 and \$1,088 at June 30, 2004 and 2003 respectively.

4. INVESTMENT-STOCK

The estimated fair value of the sixty shares of IBM stock is \$5,289 at June 30, 2004 and \$4,950 for the 60 shares at June 30, 2003.

(Continued)

THE ARC OF NORTH WEBSTER

Notes to Financial Statements
June 30, 2004 and 2003

5. INVENTORIES

Inventories consist of oil, tires and miscellaneous items on hand at the service station, and candles, balloons and other miscellaneous items on hand at the bakeshop at June 30, 2004 and 2003, valued at cost on the first-in, first-out method.

6. PROPERTY, PLANT AND EQUIPMENT

	2004	2003
Property, plant and equipment consist of the following:		
Land	5,000	5,000
Buildings and renovations	167,103	167,103
Furniture, fixtures and equipment	160,495	157,819
Automotive equipment	167,210	122,991
Total property, plant and equipment	499,808	452,913
Less: accumulated depreciation	344,472	344,554
Property, plant and equipment - net	155,336	108,359

7. WORK CENTER SALES AND FEES - NET

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

	2004			2003		
	Sales and Fees	Cost of Sales	Net	Sales and Fees	Cost of Sales	Net
Contract Work	30,575	513	30,062	17,377	1,865	15,512
Microfilm	16,909	3,952	12,957	24,978	3,209	21,769
Service Station	80,526	75,259	5,267	63,542	64,504	(962)
Bake Shop	24,534	14,749	9,785	20,212	15,077	5,135
Paper Shredding	841		841	230	515	(285)
Yard work	6,447	1,100	5,347	7,898	1,650	6,248
Totals	159,832	95,573	64,259	134,237	86,820	47,417

(Continued)

THE ARC OF NORTH WEBSTER

Notes to Financial Statements
June 30, 2004 and 2003

8. 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 to a maximum of 20 days, but is forfeited upon termination.

9. CONTINGENT LIABILITY

During the year management received two (2) collection calls regarding an outstanding balance on a credit card issued jointly in the name of the ARC and a previous executive director. The company would not supply copies of any outstanding invoices the ARC supposedly owed. A letter was faxed to the company by the president stating that the board had never authorized a company credit card. There has been no further contact from the company.

10. RELATED PARTY TRANSACTIONS

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

	2004		2003	
	Salary	Expense Reim- bursement	Salary	Expense Reim- bursement
Terri Simmons, Executive Director			22,660	2,260
Johniece Whitehead, Executive Director	21,433	2,184	4,620	485
Larry Penix, Executive Director	4,673	75		
Patsy Dees, Assistant Director	18,850	317		
Courtney Thomas, Assistant Director	2,100	22	16,552	400
Pam Allen, Board Member		194		
Total	47,056	2,792	43,832	3,145

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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 North Webster
Sarepta, Louisiana

I have audited the financial statements of The ARC of North Webster (a non-profit organization) as of and for the years ended June 30, 2004 and 2003, and have issued my report thereon dated November 10, 2004. I conducted my 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 the ARC of North Webster's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards*. Those items are listed in the schedule of findings and questioned costs as findings 2004-1 and 2004-2.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the ARC of North Webster's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the legislative auditor, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim H. Stevens, Jr.
Certified Public Accountant

November 10, 2004

THE ARC OF NORTH WEBSTER

Schedule of Findings and Questioned Costs June 30, 2004

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued:

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

Yes

Reportable conditions identified not considered to be material weaknesses?

Yes

Federal Awards

Not applicable

Section II - Financial Statement Findings

2004-1:

Condition:

The Treasurer removed records from the ARC's office, and refused to return them until a demand letter was mailed to her by the ARC's attorney after year end. The attorney received eight (8) bound monthly accounting documents from her that had been received from their accountant, and on these, she documented that she had removed the payroll records. Although extra copies were either on file, or obtained from the accountant and the bank, two monthly accounting records and one bank statement, complete with canceled checks, are still unaccounted for. This auditor was informed by the Treasurer on two (2) occasions that she had some information that was needed for completion of the audit, and although I requested the information, none was ever produced.

Recommendation:

These accounting records are public documents that are required to be maintained by the ARC for prescribed periods of time under both the Internal Revenue Code and Louisiana Statutes. It is my opinion that removal of these public records from the premises and destruction of the payroll records are violations of the Internal Revenue Code and may possibly be considered violations of Louisiana R.S. 14:134 and R.S 44:1 through 44:43.

Establishing procedures which secures the accounting records on the premises at all times is the responsibility of the board of directors and management; therefore, the President(s) of the board and the Executive Director(s) which served during this period are jointly responsible along with the Treasurer for allowing this violation of the Treasurer's fiduciary responsibilities to take place.

I recommend that formal policies be established and strictly enforced by the board of directors to safeguard all accounting records under applicable laws.

THE ARC OF NORTH WEBSTER

Schedule of Findings and Questioned Costs

June 30, 2004

Section II - Financial Statement Findings (continued)

Management's Response: The treasurer in question is no longer a member of the board of directors, and locks have been changes on all doors to prevent unauthorized access to the facility.

We concur with your suggestion for establishment of formal procedures to safeguard the records, and this will be addressed in the near future.

2004-2

Condition: A vehicle was sold during the year without evidence of it being declared surplus property or obtaining competitive bids.

Recommendation: This is in violation of Louisiana Statutes and I recommend the law be strictly followed in all future sales of property.

Management's Response: We recognize the violation and will conform to the law in all future sales of property.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

THE ARC OF NORTH WEBSTER

Summary Schedule of Prior Year Findings and Questioned Costs June 30, 2004

There were three findings for the prior audit period ended June 30, 2003, as follows:

- | | | |
|---------------|------------------------|-----------------------------------------------------------------------------------------------------------------|
| 2003-1 | Finding: | Remittance advices on stock dividends were destroyed upon receipt. |
| | Current Status: | Remittance advices are now being retained for the required amount of time. |
| 2003-2 | Finding: | State withholding for the second quarter, 2003, due by July 31, 2003, was not transmitted until September, 2003 |
| | Current Status: | These taxes are now being transmitted on a timely basis. |
| 2003-3 | Finding: | State unemployment tax for the second quarter, 2003, had not been filed by October 2, 2003. |
| | Current Status: | This is corrected now. |