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**RED RIVER ASSOCIATION
FOR RETARDED CITIZENS, INC.**

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 _____

YOUNGBLOOD & HODGES

A PROFESSIONAL ACCOUNTING CORPORATION

4700 LINE AVENUE

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SHREVEPORT, LOUISIANA 71135-5926

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Red River Association for
Retarded Citizens, Inc.
Coushatta, Louisiana

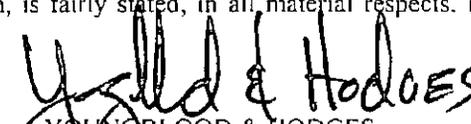
We have audited the accompanying statement of financial position of the Red River Association for Retarded Citizens, Inc. (a nonprofit organization) as of June 30, 2004, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 Red River Association for Retarded Citizens, 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 15, 2004, on our consideration of the Red River Association for Retarded Citizens, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Red River Association for Retarded Citizens, Inc. taken as a whole. The accompanying schedule of state contracts is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


YOUNGBLOOD & HODGES
A Professional Accounting Corporation

December 15, 2004

RED RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004

ASSETS

<u>Current assets</u>	
Cash on hand and in bank, including \$11,495 bearing interest	\$ 11,833
Accounts receivable	13,230
Employee advance	145
Prepaid expenses	<u>1,231</u>
Total current assets	<u>26,439</u>
<u>Property and equipment at cost</u>	
Furniture, fixtures and equipment	29,158
Automobile	<u>74,297</u>
Total property and equipment	103,455
Less: Accumulated depreciation	<u>44,651</u>
Net property and equipment	<u>58,804</u>
Total Assets	<u>\$ 85,243</u>

LIABILITIES AND NET ASSETS

<u>Current liabilities</u>	
Accounts payable	\$ 10,312
Payroll liabilities	2,902
Note payable – current portion	<u>10,705</u>
Total current liabilities	<u>23,919</u>
<u>Long-term liabilities</u>	
Note payable – non-current portion	<u>-0-</u>
Total liabilities	<u>23,919</u>
<u>Net assets</u>	
Net assets - Unrestricted	<u>61,324</u>
Total liabilities and net assets	<u>\$ 85,243</u>

See independent auditor's report and notes to financial statements

RED RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Revenues, Gains, and Other Support

Federal financial assistance:	
DOTD grant income	\$ 51,510
State contract income:	
OCDD contract income	228,555
Employment development services	9,774
Program service fees:	
Cleaning revenue	25,016
Cookie revenue	12,035
Ironing revenue	19,535
Miscellaneous revenue	5,170
Interest income	<u>493</u>
Total revenues, gains, and other support	<u>352,088</u>

Expenses

Program services:	
Auto expense and travel	11,686
Building maintenance	4,982
Building rent	17,400
Client payroll	43,459
COA transportation	564
Contract labor	2,803
Depreciation expense	12,865
Dues and subscriptions	317
Food supplies	7,491
Insurance	13,029
Miscellaneous	1,492
Payroll expense	122,919
Pest control	264
Snack expense	859
Supplies	14,510
Telephone	840
Utilities	<u>4,690</u>
Total program services expense	<u>260,170</u>
Supporting services:	
Management and general:	
Bank charges	300
Interest expense	1,774

See independent auditor's report and notes to financial statements

RED RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.
STATEMENT OF ACTIVITIES
(Continued)
FOR THE YEAR ENDED JUNE 30, 2004

Management and general: (continued)	
Office expenses	2,577
Payroll expense	28,972
Penalties	15
Postage and delivery	487
Professional fees	<u>8,500</u>
Total management and general	<u>42,625</u>
Total supporting services expense	<u>42,625</u>
Total expenses	<u>302,795</u>
Increase (decrease) in net assets (unrestricted)	49,293
Net assets (unrestricted) – June 30, 2003	<u>12,031</u>
Net assets (unrestricted) – June 30, 2004	<u>\$ 61,324</u>

See independent auditor's report and notes to financial statements

RED RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

<u>Cash flows from operating activities</u>	
Increase (decrease) in net assets (unrestricted)	\$ 49,293
Adjustments to reconcile increase (decrease) in net assets (unrestricted) to net cash provided by operating activities:	
Depreciation	12,865
(Increase) decrease in accounts receivable	1,159
(Increase) decrease in employee advance	340
(Increase) decrease in prepaid expenses	1,789
Increase (decrease) in accounts payable	4,120
Increase (decrease) in accrued liabilities	<u>1,136</u>
Net cash provided (used) by operating activities	<u>70,702</u>
 <u>Cash flows from investing activities</u>	
Cash payments for the purchase of property	<u>(64,387)</u>
Net cash provided (used) by investing activities	<u>(64,387)</u>
 <u>Cash flows from financing activities</u>	
Principal payments on long-term debt	<u>(13,254)</u>
Net cash provided (used) by financing activities	<u>(13,254)</u>
 Net increase (decrease) in cash and equivalents	 (6,939)
Cash and equivalents, beginning of year	<u>18,772</u>
Cash and equivalents, end of year	<u>\$ 11,833</u>
 <u>Supplemental disclosures of cash flow information</u>	
Cash paid during the year for:	
Interest expense	<u>\$ 1,774</u>
Income Tax	<u>\$ 0</u>

See independent auditor's report and notes to financial statements

RED RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.
 SCHEDULE OF STATE CONTRACTS
 AWARDED BY THE STATE OF LOUISIANA
 DEPARTMENT OF HEALTH AND HOSPITALS
 OFFICE FOR CITIZENS WITH DEVELOPMENTAL DISABILITIES
 FOR THE YEAR ENDED JUNE 30, 2004

<u>Contract Number</u>	<u>Contract Term</u>	<u>Contract Amount</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
<u>Social Services</u> 595816	07/01/03-06/30/04	\$228,555	\$228,555	\$228,555

This schedule of state contracts includes the Louisiana Department of Health and Hospitals Office for Citizens with Developmental Disabilities contract activity of Red River Association for Retarded Citizens, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with State requirements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

See independent auditor's report and notes to financial statements

RED RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(1) SIGNIFICANT ACCOUNTING POLICIES

Organization and Operation

Red River Association for Retarded Citizens, Inc. (the Association) was incorporated in 1976 as a non-profit corporation under the laws of Louisiana. Among the purposes of the organization are promotion of the general welfare of the mentally retarded and development of programs in their behalf.

The Association sponsors a work program for its clients that operates under the name Red River Industries.

Depreciation and capitalization policy

The basis of valuation of depreciable assets is the asset's cost or fair market value at date of donation. Expenditures for assets in excess of \$500 are capitalized. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis as follows:

Furniture and fixtures	10 years
Equipment	5 years
Automobiles	5 years

Provision for Income Taxes

No provision for income taxes is reflected in the statements as the Association files a tax-exempt return under IRS Section 501(c)(3).

Basis of Accounting

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

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments that are readily convertible into cash within ninety (90) days of purchase.

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. The Association has not accrued compensated absences because the amount cannot be reasonably estimated.

RED RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 2004

(1) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue

The Association receives its grant and contract support primarily from the State of Louisiana Department of Health and Hospitals Office for Citizens with Developmental Disabilities. Funding is provided under terms of a contract, which requires that the Association provide adult day services to developmentally disabled citizens.

Any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Association with the terms of the grant/contract.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. If during the year a contribution received is temporarily restricted and the requirements of the temporary restriction are met in the same year, thus releasing all of it from the restriction, it is the Association's policy to report the contribution income and the related expenses as unrestricted.

(2) LEASES

The Association leases the building that houses its operations from one of its employees on a month-to-month basis. The monthly rent is \$1,450, which is the amount for which the building was being leased prior to it being owned by the aforementioned employee. The Louisiana Board of Ethics issued a letter dated June 19, 1998, in which it ruled that this transaction is not in violation of the Code of Governmental Ethics.

(3) NOTE PAYABLE

The notes payable at June 30, 2004, consisted of the following:

Note payable to bank, secured by automobile and equipment, interest at 8.50%, due in monthly installments of \$1,232 including principal and interest, due March 7, 2005	\$ 10,705
Less: Current portion	<u>10,705</u>
Long-term portion	<u>\$ -0-</u>

RED RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.
NOTES TO FINANCIAL STATEMENTS
(Continued)
JUNE 30, 2004

(3) NOTE PAYABLE (Continued)

Current maturities of this long-term debt are as follows:

<u>Year ended June 30:</u>	
2005	\$ 10,705

(4) CONCENTRATIONS

Approximately 65% of the Association's total revenue comes from one source. Although not anticipated, the loss of this source of revenue could have an adverse effect upon the Association.

At June 30, 2004, 90% of the Association's total accounts receivable were with the State of Louisiana (OCDD).

(5) PROPERTY AND EQUIPMENT

In the year ended June 30, 2004, the Association acquired two vehicles through a DOTD grant program. The cost of the vehicles totaled \$64,387. These vehicles must be used for transportation services to the elderly and disabled within the service area of the Association. At such time as these vehicles are not used in this manner or is withdrawn from service, the Association must immediately notify the DOTD. Disposition of these vehicles must have prior DOTD approval.

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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
Red River Association for
Retarded Citizens, Inc.
Coushatta, Louisiana

We have audited the financial statements of the Red River Association for Retarded Citizens, 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 generally accepted auditing standards 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 Red River Association for Retarded Citizens, 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*.

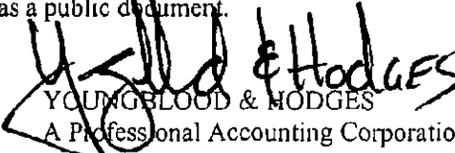
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Red River Association for Retarded Citizens, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Red River Association for Retarded Citizens, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Reportable Conditions and 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. 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 consider the reportable condition described above to be a material weakness as detailed in the accompanying Schedule of Reportable Conditions and Material Weaknesses.

This report is intended solely for the information and use of the audit committee, management, the Louisiana Legislative Auditor, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.


YOUNGBLOOD & HODGES
A Professional Accounting Corporation

December 15, 2004

RED RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.
SCHEDULE OF REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES
JUNE 30, 2004

We noted the following matter involving Red River Association for Retarded Citizens, Inc.'s internal control over financial reporting and its operation that we consider to be a reportable condition:

- (1) Lack of segregation of accounting duties.

Effect

There are fewer checks and balances on accounting transactions that can lead to conditions such that misstatements in amounts that would be material in relation to the financial statements would occur and not be detected in a timely manner.

Cause

Due to the Association's small staff, segregation of most accounting functions is not possible.

Recommendation/Conclusion

The small size of the Association's staff limits the extent of segregation of duties. This is a constraint that will always be present in the Association.

We consider item (1) to be a material weakness.

This schedule is provided as supplemental information to the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*" dated December 15, 2004.

RED RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2004

The following matter involving Red River Association for Retarded Citizens, Inc. relates to Prior Year Audit Findings:

- (1) Lack of segregation of duties.

Due to the Association's small staff, segregation of most accounting functions is not possible. This is a constraint that will always be present in the Association.

RED RIVER ASSOCIATION FOR RETARDED CITIZENS, INC.
MANAGEMENT'S PLAN OF CORRECTIVE ACTION
JUNE 30, 2004

The results of audit tests disclosed the following reportable condition:

- (1) Lack of segregation of accounting duties.

Effect

There are fewer checks and balances on accounting transactions that can lead to conditions such that misstatements in amounts that would be material in relation to the financial statements would occur and not be detected in a timely manner.

Cause

Due to the Association's small staff, segregation of most accounting functions is not possible.

Management's Plan of Corrective Action

Management acknowledges that the small size of the Association's staff limits the extent of segregation of duties and that this is a constraint that will always be present in the Association. Management also acknowledges that this is a material weakness in the accounting control. Management has determined that the most effective way to deal with this constraint is to have oversight of the accounting functions by the Executive Director and, where necessary, oversight by the Board of Directors. Such involvement will provide additional checks and balances within the accounting functions of the Association.

Contact Person Responsible for Corrective Action:

Betty Sullivan
Executive Director
Red River Association for Retarded Citizens, Inc.
2303 East Carroll Street
Coushatta, LA 71019
(318) 932-6520

Anticipated Completion Date for Plan of Action:

The above plan of corrective action has been completed and is currently in effect and has been identified in the preceding report.