

TARC, INC.
(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

TARC, INC.

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JUNE 30, 2012 AND 2011

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BERNARD & FRANKS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

JOSEPH V. FRANKS II, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
TARC, Inc.
Hammond, Louisiana

We have audited the accompanying statement of financial position of TARC, Inc. (a nonprofit organization) as of June 30, 2012 and 2011, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 respects, the financial position of TARC, Inc. as of June 30, 2012 and 2011, 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 August 6, 2012, on our consideration of TARC, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Bernard & Franks

Metairie, Louisiana
August 6, 2012

TARC, INC.

STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

ASSETS	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 59,063	\$ 86,233
Accounts receivable	158,680	118,539
Unconditional promises to give	23,500	26,000
Prepaid expenses	312	351
Total current assets	<u>\$ 241,555</u>	<u>\$ 231,123</u>
LONG-TERM ASSETS		
Investments	<u>\$ 101,268</u>	<u>\$ 76,525</u>
LAND, PROPERTY AND EQUIPMENT		
Less accumulated depreciation	\$ 630,106	\$ 623,806
	<u>(349,742)</u>	<u>(308,398)</u>
	<u>\$ 280,364</u>	<u>\$ 315,408</u>
OTHER ASSETS		
Lease value of land and building	<u>\$ 350,000</u>	<u>\$ 350,000</u>
 Total assets	 <u><u>\$ 973,187</u></u>	 <u><u>\$ 973,056</u></u>

	<u>2012</u>	<u>2011</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 36,615	\$ 70,952
Other payables	12,990	10,326
Accrued salaries and payroll taxes	83,628	74,681
Line of credit	46,057	-
Current maturities of note payable	5,217	4,895
Total current liabilities	<u>\$ 184,507</u>	<u>\$ 160,854</u>
LONG TERM LIABILITIES		
Note payable	<u>\$ 161,643</u>	<u>\$ 166,670</u>
Total liabilities	<u>\$ 346,150</u>	<u>\$ 327,524</u>
NET ASSETS		
Unrestricted	\$ 231,606	\$ 247,159
Temporarily restricted	395,431	398,373
Total net assets	<u>\$ 627,037</u>	<u>\$ 645,532</u>
Total liabilities and net assets	<u>\$ 973,187</u>	<u>\$ 973,056</u>

TARC, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT			
Revenues and gains			
Contributions	\$ 50,495	\$ -	\$ 50,495
United Way	3,896	23,500	27,396
In kind contributions	51,200	-	51,200
State contracts	2,114,370	-	2,114,370
Fund raising	172,414	-	172,414
Memberships	250	-	250
Interest	2,463	-	2,463
Other income	6,685	(442)	6,243
Net assets released from restrictions			
Expiration of time restriction-United Way Services	26,000	(26,000)	-
Total revenues, gains, and other support	<u>\$ 2,427,773</u>	<u>\$ (2,942)</u>	<u>\$ 2,424,831</u>
EXPENSES			
Program Services			
Community support services	\$ 1,907,075	\$ -	\$ 1,907,075
Durable medical equipment	87,483	-	87,483
Early learning center	209,295	-	209,295
Early intervention	122,111	-	122,111
Support Services			
Management and general	36,077	-	36,077
Fund-raising	81,285	-	81,285
Total expenses	<u>\$ 2,443,326</u>	<u>\$ -</u>	<u>\$ 2,443,326</u>
Change in net assets	\$ (15,553)	\$ (2,942)	\$ (18,495)
Net assets at beginning of year	<u>247,159</u>	<u>398,373</u>	<u>645,532</u>
Net assets at end of year	<u>\$ 231,606</u>	<u>\$ 395,431</u>	<u>\$ 627,037</u>

See Notes to Financial Statements.

TARC, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT			
Revenues and gains			
Contributions	\$ 115,757	\$ -	\$ 115,757
United Way	-	26,000	26,000
In kind lease	57,429	-	57,429
State contracts	1,917,378	-	1,917,378
Fund raising	151,666	-	151,666
Memberships	820	-	820
Interest	975	-	975
Other income	17,355	(1,453)	15,902
Net assets released from restrictions			
Expiration of time restriction-United Way Services	23,500	(23,500)	-
Total revenues, gains, and other support	\$ 2,284,880	\$ 1,047	\$ 2,285,927
EXPENSES			
Program Services			
Community support services	\$ 1,652,019	\$ -	\$ 1,652,019
Durable medical equipment	230,256	-	230,256
Early learning center	187,504	-	187,504
Early intervention	132,681	-	132,681
Support Services			
Management and general	41,837	-	41,837
Fund-raising	63,991	-	63,991
Total expenses	\$ 2,308,288	\$ -	\$ 2,308,288
Change in net assets	\$ (23,408)	\$ 1,047	\$ (22,361)
Net assets at beginning of year	270,567	397,326	667,893
Net assets at end of year	\$ 247,159	\$ 398,373	\$ 645,532

See Notes to Financial Statements.

TARC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	Program Services			Supporting Services			Total
	Community Support Services	Durable Medical Equipment	Early Learning Center	Early Intervention	Management and General	Fund-raising	
Salaries and related expenses:							
Salaries	\$ 1,477,437	\$ 8,792	\$ 141,627	\$ 59,568	\$ 5,139	\$ 26,954	\$ 1,719,517
Employee benefits & taxes	144,570	1,279	13,290	5,893	970	5,085	171,087
Workers' compensation	42,355	62	1,102	461	42	252	44,274
	<u>\$ 1,664,362</u>	<u>\$ 10,133</u>	<u>\$ 156,019</u>	<u>\$ 65,922</u>	<u>\$ 6,151</u>	<u>\$ 32,291</u>	<u>\$ 1,934,878</u>
Advertisement	\$ 359	\$ 124	\$ 13	\$ -	\$ 7	\$ 250	\$ 753
Bank charges	-	-	-	-	1,504	-	1,504
Client supplies	1,231	-	-	-	2,939	-	4,170
Computer supplies	4,775	379	262	58	131	297	5,902
Contract therapists	-	-	-	-	858	-	858
Depreciation	27,258	1,235	11,615	-	1,235	-	41,343
Dues and subscriptions	3,234	117	336	195	117	652	4,651
Equipment	3,189	57	4,095	-	57	770	8,168
Fees and licenses	7,031	-	175	-	-	75	7,281
Food	-	-	11,882	-	-	-	11,882
Fund raising	-	-	357	-	-	28,466	28,823
Hiring	2,468	5	99	4	5	92	2,673
Housekeeping	624	30	1,054	74	30	-	1,812
Insurance							
Liability	20,440	973	2,415	-	973	-	24,801
Directors and officers	-	-	-	-	1,906	-	1,906
Motor vehicle	3,627	-	-	-	-	-	3,627
Interest	440	21	42	21	14,505	-	15,029
Miscellaneous	1,319	33	364	75	1,521	-	3,312
Motor vehicle expenses	2,176	-	-	-	-	-	2,176
Office supplies	16,005	519	2,470	86	519	754	20,353
Postage	2,765	132	264	-	132	530	3,823
Professional services	13,571	646	1,292	-	646	-	16,155
Rent	6,283	257	515	51,200	257	16,225	74,737
Repairs and maintenance	45,032	345	10,378	-	345	-	56,100
Shipping	-	2,832	-	-	-	-	2,832
Program supplies	9,989	68,024	711	-	-	-	78,724
Telephone and internet services	4,135	390	546	80	150	180	5,481
Travel and transportation	45,460	351	158	4,178	204	664	51,015
Seminars and training	3,161	16	2,505	218	1,021	39	6,960
Utilities	18,141	864	1,728	-	864	-	21,597
	<u>\$ 242,713</u>	<u>\$ 77,350</u>	<u>\$ 53,276</u>	<u>\$ 56,189</u>	<u>\$ 29,926</u>	<u>\$ 48,994</u>	<u>\$ 508,448</u>
Total expenses	<u>\$ 1,907,075</u>	<u>\$ 87,483</u>	<u>\$ 209,295</u>	<u>\$ 122,111</u>	<u>\$ 36,077</u>	<u>\$ 81,285</u>	<u>\$ 2,443,326</u>

TARC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	Program Services				Supporting Services		Total
	Community Support Services	Durable Medical Equipment	Early Learning Center	Early Intervention	Management and General	Fund-raising	
Salaries and related expenses:							
Salaries	\$ 1,307,166	\$ 25,311	\$ 136,907	\$ 64,758	\$ 5,303	\$ 30,499	\$ 1,569,944
Employee benefits & taxes	123,179	3,948	13,234	9,924	1,042	4,678	156,005
Workers' compensation	35,887	124	1,075	486	43	209	37,824
	<u>\$ 1,466,232</u>	<u>\$ 29,383</u>	<u>\$ 151,216</u>	<u>\$ 75,168</u>	<u>\$ 6,388</u>	<u>\$ 35,386</u>	<u>\$ 1,763,773</u>
Advertisement	\$ 1,833	\$ 306	\$ 174	\$ -	\$ 89	\$ 900	\$ 3,302
Bank charges	-	-	-	-	2,129	-	2,129
Client supplies	2,814	-	-	-	-	-	2,814
Computer supplies	3,486	444	396	-	153	83	4,562
Contract therapists	4,773	-	-	224	-	-	4,997
Depreciation	32,325	4,833	3,224	-	1,664	-	42,046
Dues and subscriptions	2,705	768	417	96	130	1,225	5,341
Equipment	-	-	-	-	-	316	316
Fees and licenses	400	-	175	455	4,000	-	5,030
Food	-	-	9,786	-	-	-	9,786
Fund raising	-	-	-	-	-	23,743	23,743
Hiring	3,066	40	120	75	13	-	3,314
Housekeeping	628	89	1,356	17	31	-	2,121
Insurance							
Liability	20,575	3,076	2,169	-	1,059	-	26,879
Directors and officers	-	-	-	-	2,012	-	2,012
Motor vehicle	2,995	-	-	939	-	-	3,934
Interest	-	-	-	-	14,806	-	14,806
Miscellaneous	1,060	-	150	-	5,706	-	6,916
Motor vehicle expenses	2,836	-	-	-	-	20	2,856
Office supplies	21,055	2,088	2,957	125	700	1,221	28,146
Postage	2,125	312	209	-	107	-	2,753
Professional services	5,066	758	505	-	261	-	6,590
Rent	1,876	280	187	51,200	97	-	53,640
Repairs and maintenance	11,002	1,645	9,033	-	566	-	22,246
Shipping	-	15,412	-	-	-	-	15,412
Program supplies	3,400	166,159	183	-	-	-	169,742
Telephone and internet services	4,696	924	616	110	180	200	6,726
Travel and transportation	38,227	1,196	237	4,261	255	897	45,073
Seminars and training	2,414	87	2,755	11	645	-	5,912
Utilities	16,430	2,456	1,639	-	846	-	21,371
	<u>\$ 185,787</u>	<u>\$ 200,873</u>	<u>\$ 36,288</u>	<u>\$ 57,513</u>	<u>\$ 35,449</u>	<u>\$ 28,605</u>	<u>\$ 544,515</u>
Total expenses	<u>\$ 1,652,019</u>	<u>\$ 230,256</u>	<u>\$ 187,504</u>	<u>\$ 132,681</u>	<u>\$ 41,837</u>	<u>\$ 63,991</u>	<u>\$ 2,308,288</u>

TARC, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (18,495)	\$ (22,361)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	41,343	42,046
Unrealized and realized gain (loss) on investments	(4,743)	2,889
(Increase) decrease in operating assets		
Accounts receivable	(40,141)	(14,270)
Promises to give	2,500	(2,500)
Prepaid expenses	39	2,450
Increase (decrease) in operating liabilities:		
Accounts payable	(34,337)	22,494
Other payables	2,664	3,212
Accrued salaries and payroll taxes	8,947	3,737
Net cash provided by operating activities	<u>\$ (42,223)</u>	<u>\$ 37,697</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	\$ (6,300)	\$ -
Purchase of bonds	(35,000)	(55,588)
Redemption of bonds	15,000	-
Net cash used in investment activities	<u>\$ (26,300)</u>	<u>\$ (55,588)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	\$ 101,200	\$ -
Principal payments on line of credit	(55,143)	-
Proceeds from notes payable	-	177,923
Principal payments on notes payable	(4,705)	(177,545)
Net cash used in financing activities	<u>\$ 41,352</u>	<u>\$ 378</u>
Net (increase) decrease in cash and cash equivalents	\$ (27,171)	\$ (17,513)
Beginning cash and cash equivalents	<u>\$ 86,233</u>	<u>103,746</u>
Ending cash and cash equivalents	<u>\$ 59,062</u>	<u>\$ 86,233</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for Interest	<u>\$ 15,029</u>	<u>\$ 14,806</u>

See Notes to Financial Statements.

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

TARC, Inc. is a nonprofit corporation which provides opportunities for children and adults with disabilities to realize their full potential, and to become self-directed and contributing citizens. The services the Organization provides to achieve this goal are as follows:

Children's Choice

The purpose of this service is to provide supplemental support services to children with disabilities, from birth to 18 years of age, who currently live at home with their families or will leave an institutional setting to return home. Services provided include: family support, crisis support, family training, diaper acquisition, environmental modification and vehicle adaptation.

Durable Medical Equipment

The Organization provides medically necessary equipment and supplies of a covered illness or injury to individuals in need. The equipment is obtained to assist in the improvement of the function of the malformed, diseased, or injured body part or to delay further deterioration of a patient's physical condition. All equipment is used to serve a medical purpose for the appropriate level of performance and quality for the medical condition present.

Early Learning Center

The KIDS 'R' US Early Learning Center provides access to a full range of educational services in an inclusive environment for children of all abilities. Located in downtown Hammond, the program offers structured curriculums with early childhood professionals on staff. Full or part-time schedules are available with low child to staff ratios and a computer center is available.

Early Intervention

Early intervention applies to children from birth to three years old who are eligible to be at risk or special need that may affect their development. Early intervention consists in the provision of services for such children and their families for the purpose of lessening the effects of the condition. Early intervention can be remedial or preventive in nature—remediation existing developmental problems or preventing their occurrence.

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) topic 958, Not- For- Profit Entities. The Organization is required 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.

Basis of Accounting

The financial statements of TARC, Inc. have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Accounts Receivable

Accounts receivables are stated at the amount management expect to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on it's assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. In management's opinion no allowance for doubtful accounts is necessary at June 30, 2012 and 2011.

Cash and Cash Equivalents

For purposes of the statement of cash flows, TARC, Inc. considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentrations

The Organization's primary source of revenue is Medicaid (Title XIX) revenue. For the fiscal year ended June 30, 2012 and 2011, \$2,114,370 and \$2,132,499, or 87% and 90% of the Organization's total gross revenue was from Title XIX. Additionally, \$129,091 and \$132,302 or 5% and 5% of the Organization's total gross revenue was from contributions and \$172,414 and \$112,264 7% and 5% of the total gross revenue was from fund raising. The remaining \$8,956 and \$7,249 of the total gross revenue was from membership dues, interest and investment income and other miscellaneous income.

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

Contributions of donated non-cash assets are recorded at their fair market value in the period received. Contribution of donated services that create or enhance non-financial assets or that requires specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair market values in the period received.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Use of 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.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

The Organization is a nonprofit organization and exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Code as other than a private foundation.

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under SFAS No. 157 are described below:

Level 1-Valuation based on quoted prices in active markets for identical assets or liabilities that the Association has the ability to access.

Level 2-Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3-Valuation based on inputs that are unobservable and significant to the overall fair value measurement.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in the standard. The three valuation techniques are as follows:

- Market approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach – Amount that would be required to replace the service capacity of an asset (i.e. replacement cost); and
- Income approach - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

Promises to Give

Unconditional promises to give, if applicable, less an allowance for uncollectible amounts is recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the promises become unconditional.

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the useful life of the assets. State funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets.

Investments

The Organization holds investments in a charitable split interest agreement and corporate and municipal bonds which have readily determinable fair values that are reported at their fair values based on quoted prices in active markets (all Level 2 measurements) in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains restricted by a donor are reported as increases in temporarily restricted net assets and released to unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

The fair value of the trust investments (10% interest of the Organization) is recorded as an asset and is also included as an increase to temporarily restricted net assets. At June 30, 2012 and 2011 the fair value of the beneficial interest in the trust was \$21,931 and \$22,373. Annual changes in the fair value of the Organization's portion of the investments are recorded as increases or decreases in the beneficial interest in the trust and temporarily restricted net assets. The change in value of the split interest agreement for the years ended June 30, 2012 and 2011 was a \$442 and \$1,453 loss included as temporarily restricted net assets.

Contributions and Grants

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. 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. Restricted contributions and grants whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 2. CASH AND CASH EQUIVALENTS

TARC, Inc. maintains several bank accounts at various banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) for amounts up to \$250,000 for interest bearing accounts. Cash at these institutions did not exceed FDIC limits at June 30, 2012 and 2011.

NOTE 3. UNCONDITIONAL PROMISE TO GIVE

At June 30, 2012 and 2011 unconditional promises to give consisted of:

	2012	2011
United Way	\$ 23,500	\$ 26,000

The unconditional promise to give is receivable in the next fiscal year. All amounts are deemed collectible by management. The amount due from United Way consists of the following:

	2012	2011
Allocation for next fiscal year, general allocation	\$ 23,500	\$ 21,000
Grant	-	5,000
	\$ 23,500	\$ 26,000
Less: Allowance for uncollectible	-	-
	\$ 23,500	\$ 26,000

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2012 and 2011 consisted of the following:

	2012	2011
Land	\$ 47,065	\$ 47,065
Buildings & improvements	395,590	395,590
Furniture & fixtures	154,834	148,534
Vehicles	32,617	32,617
	630,106	623,806
Less: Accumulated depreciation	(349,742)	(308,398)
	\$ 280,364	\$ 315,408

Depreciation expense totaled \$41,343 and \$42,046 for the years ended June 30, 2012 and 2011, respectively.

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 5. INVESTMENTS

Long - term investments consist of the following and are stated at fair value:

	<u>2012</u>	<u>2011</u>
Beneficial interest in trust	\$ 21,931	\$ 22,373
Municipal bonds	68,731	44,230
Corporate bonds	10,606	9,921
	<u>\$ 101,268</u>	<u>\$ 76,524</u>

The following schedule summarizes the investment return in the statement of activities:

	<u>2012</u>	<u>2011</u>
Net realized and unrealized gains and (losses)	\$ 4,743	\$ (2,889)
Total	<u>\$ 4,743</u>	<u>\$ (2,889)</u>

In 1991, a donor established a trust with an investment broker, naming the Organization as having a ten percent (10%) interest in the amounts invested. Under the terms of the split-interest agreement the Organization receives 10% of the annual investment income. The trust will mature on October 23, 2016 and the Organization will receive 10% of the proceeds from the liquidated investments of the trust on or around that date.

NOTE 6. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value for the year ended June 30 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beginning balance, July 1, 2011	\$ -	\$ 76,525	\$ -	\$ 76,525
Change in value of split interest agreement	-	(442)	-	(442)
Purchase of bonds	-	35,000	-	35,000
Redemption of bonds	-	(15,000)	-	(15,000)
Gain on bonds	-	5,185	-	5,185
Ending balance, June 30, 2012	<u>\$ -</u>	<u>\$ 101,268</u>	<u>\$ -</u>	<u>\$ 101,268</u>

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 6. FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value for the year ended June 30 2011:

	Level 1	Level 2	Level 3	Total
Beginning balance, July 1, 2010	\$ -	\$ 23,826	\$ -	\$ 23,826
Change in value of split interest agreement	-	(1,453)	-	(1,453)
Purchase of bonds	-	55,588	-	55,588
Loss on bonds	-	(1,436)	-	(1,436)
Ending balance, June 30, 2011	<u>\$ -</u>	<u>\$ 76,525</u>	<u>\$ -</u>	<u>\$ 76,525</u>

NOTE 7. DONATED FACILITIES

TARC, Inc. entered into a lease agreement with the State of Louisiana on October 19, 2003 for 25 years, in which the Organization had free use of a 6,400 square foot building. The consideration was the mutual benefit, advantages, and convenience to be derived by the public in the operation of TARC, Inc. The contribution is recorded as temporarily restricted (due to time restrictions) and was measured at the present value of \$350,000, which is less than the fair market value. When the time restrictions are met, the amount will be reclassified on the statement of activities as net assets released from restrictions. The fair value rental expense is \$52,000 annually.

NOTE 8. LONG- TERM DEBT

For the years ended June 30, 2012 and 2011, the Organization has a business loan payable to First Guaranty Bank, used to pay off its promissory note with Statewide Bank. The note bears a fixed interest rate of 6% with 35 regular payments of \$1,269 and one final payment estimated at \$162,453 due on July 21, 2013. This note is collateralized by land and building held by the Organization. At June 30, 2012 and 2011, the balance of this loan was \$166,860 and \$171,565, respectively.

The following is a summary of long-term liability as of June 30, 2012:

Description	June 30, 2012	Interest Rate	Current Portion	Long Term
First Guaranty	\$ 166,860	6%	\$ 5,217	\$ 161,643

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 8. LONG- TERM DEBT (Continued)

The following is a summary of long-term liability as of June 30, 2011:

Description	June 30, 2011	Interest Rate	Current Portion	Long Term
First Guaranty	\$ 171,565	6%	\$ 4,895	\$ 166,670

The following principal amounts on the mortgage loan are due over the next five years and thereafter:

Year ended June 30, 2012	First Guaranty
2012	\$ 4,895
2013	5,217
2014	161,453
	<u>\$ 171,565</u>

Interest expense for the years ended June 30, 2012 and 2011 was \$12,982 and \$14,806, respectively.

NOTE 9. LINE OF CREDIT

The Organization has a \$50,000 line of credit bearing interest at a rate of 3.250% over prime (6.00% at June 30, 2012), and is secured by a collateral real estate mortgage. The balance due for the years ended June 30, 2012 and 2011 was \$46,057 and \$0, respectively. Interest expense was \$2,047 and \$0, for the years ended June 30, 2012 and 2011, respectively.

NOTE 10. ACCRUED VACATION AND LEAVE

Employees of TARC, Inc. accrue annual vacation and leave at various rates and number of days. There is a six month probationary period for all new employees prior to accruing any vacation or leave. Any days remaining carried over to the next fiscal year must be used by August 31st of that year or they will be forfeited. Accrued vacation and leave for the years ended June 30, 2012 and 2011 was \$1,962 and \$3,813.

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 11. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2012 and 2011, TARC, Inc. had \$395,431 and \$398,373 in temporarily restricted net assets. Temporarily restricted net assets are available for the following purposes or periods:

	<u>2012</u>	<u>2011</u>
Lease value of land and building	\$ 350,000	\$ 350,000
Beneficial interest in trust	21,931	22,373
United Way- promise to give	<u>23,500</u>	<u>26,000</u>
	<u>\$ 395,431</u>	<u>\$ 398,373</u>

NOTE 12. SALARY REDUCTION PROGRAM

The Organization offers its employees a voluntary 403(b)(7) salary reduction program. TARC, Inc. does not contribute to this program.

NOTE 13. COMPENSATION

The Board of Directors serves TARC, Inc. without compensation.

NOTE 14. SUBSEQUENT EVENTS

Subsequent events were evaluated through August 6, 2012, which is the date the financial statements were available to be issued.



BERNARD & FRANKS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

JOSEPH V. FRANKS II, C.P.A.

NICHOLAS F. CHETTA, C.P.A.

NICHOLAS W. LAFRANZ III, C.P.A.

JAMES L. WHITE, C.P.A.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
TARC, Inc.
Hammond, Louisiana

We have audited the financial statements of TARC, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated August 6, 2011. 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered TARC, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the TARC, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether TARC, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the entity, the Board of Directors, and Federal and State of Louisiana awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Bernard A. Frank".

Metairie, Louisiana
August 6, 2012

TARC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF AUDIT RESULTS

YEAR ENDED JUNE 30, 2012

SCHEDULE #1

- An unqualified opinion was issued on the financial statements of TARC, Inc.
- The statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses is not applicable.
- The audit disclosed no instances of noncompliance that were material to the financial Statements of TARC, Inc.
- No management letter was issued.
- There were no major programs during the year ended June 30, 2012; therefore, TARC, Inc. was not subject to OMB Circular A-133.
- The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- The qualification of low or high-risk auditee does not pertain to TARC, Inc. because the Organization was not subject to OMB Circular A-133.

TARC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-Continued
REPORTABLE CONDITIONS – FINANCIAL STATEMENTS – CURRENT YEAR
YEAR ENDED JUNE 30, 2012

SCHEDULE #2

There were no findings related to the financial statements audit for the year ended June 30, 2012.

TARC, INC.
SUMMARY OF PRIOR YEAR'S AUDIT FINDINGS

YEAR ENDED JUNE 30, 2012

SCHEDULE #3

Findings related to the financial statements

2011-01: Incorrect billings for Medicaid Funds

Condition: One instance of incorrect billing of actual hours worked for a Medicaid consumer and another of amounts billed to the wrong consumer account was found during the testing of Medicaid revenues during the audit.

Recommendation: We recommend that management provide more oversight during the billing process. Amounts of service units and consumer account being billed should be double checked for accuracy.

Current Status: The finding has been resolved and does not warrant further action.