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**THE ARC OF ST. MARTIN, INC**

St. Martinville, Louisiana

**FINANCIAL REPORT**

Years Ended June 30, 2005 and 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 1-11-2006

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# MARAIST & MARAIST

CERTIFIED PUBLIC ACCOUNTANTS

(A PARTNERSHIP OF PROFESSIONAL ACCOUNTING CORPORATIONS)

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## INDEPENDENT AUDITORS' REPORT

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF  
LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

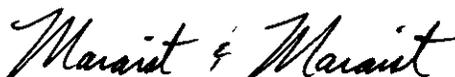
To the Board of Directors of  
The Arc of St. Martin, Inc.  
St. Martinville, Louisiana

We have audited the accompanying statements of financial position of The ARC of St. Martin, Inc. (a nonprofit organization) as of June 30, 2005 and 2004, and the related statements of activities, cash flows, and functional expenses 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 basic 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The ARC of St. Martin, Inc. as of June 30, 2005 and 2004, 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 October 29, 2005 on our consideration of The ARC of St. Martin's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



Maraist & Maraist  
Certified Public Accountants

October 29, 2005

**THE ARC OF ST. MARTIN, INC.**  
 St. Martinville, Louisiana  
**STATEMENT OF FINANCIAL POSITION**  
 June 30, 2005 and 2004

<u>ASSETS</u>		
	<u>2005</u>	<u>2004</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 344,496	\$ 170,678
Accounts receivable	156,037	159,692
Accrued interest receivable	444	435
Total current assets	\$ 500,977	\$ 330,805
<b>Fixed Assets:</b>		
Land	\$ 49,014	\$ 49,014
Buildings and improvements	439,498	437,339
Furniture and equipment	51,743	59,677
Vehicles	279,515	283,168
	\$ 819,770	\$ 829,198
Less: accumulated depreciation	(405,266)	(371,523)
Total fixed assets	\$ 414,504	\$ 457,675
<b>TOTAL ASSETS</b>	\$ 915,481	\$ 788,480
 <u>LIABILITIES AND NET ASSETS</u>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 2,940	\$ (157)
Accrued Salaries	42,718	43,102
Current portion of notes payable	10,151	9,792
Total current liabilities	\$ 55,809	\$ 52,737
Notes payable, less current portion	6,168	16,255
Total liabilities	\$ 61,977	\$ 68,992
<b>Net Assets:</b>		
Unrestricted:		
Operations	\$ 455,319	\$ 287,860
Fixed assets	398,185	431,628
Total net assets	\$ 853,504	\$ 719,488
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 915,481	\$ 788,480

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

**THE ARC OF ST. MARTIN, INC.**  
 St. Martinville, Louisiana  
**STATEMENT OF ACTIVITIES**  
 Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b>REVENUES AND OTHER SUPPORT:</b>		
<b>Public Support:</b>		
Contributions	\$ 26,880	\$ 28,152
Program revenues	1,930,103	1,540,682
<b>Other Revenue:</b>		
Client fees	66,187	52,829
Membership dues	950	2,660
Work contracts	42,466	49,568
Interest/dividend income	2,971	2,775
Other revenue	973	4,168
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<u>\$ 2,070,530</u>	<u>1,680,834</u>
<b>EXPENSES:</b>		
<b>Program services:</b>		
Day program	\$ 1,115,968	\$ 830,578
Residential services	551,403	548,775
Total program services	<u>\$ 1,667,371</u>	<u>\$ 1,379,353</u>
<b>Support services:</b>		
General and administrative	\$ 269,143	\$ 252,856
<b>TOTAL EXPENSES</b>	<u>\$ 1,936,514</u>	<u>\$ 1,632,209</u>
<b>CHANGE IN NET ASSETS</b>	\$ 134,016	\$ 48,625
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>719,488</u>	<u>670,863</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 853,504</u>	<u>\$ 719,488</u>

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

**THE ARC OF ST. MARTIN, INC.**  
 St. Martinville, Louisiana  
**STATEMENT OF CASH FLOWS**  
 Years Ended June 30, 2005 and 2004

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2005</u>	<u>2004</u>
Change in net assets	\$ 134,016	\$ 48,625
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	54,017	61,356
(Increase)/decrease in accounts receivable	3,646	(35,045)
Increase/(decrease) in accounts payable and accrued expenses	3,097	(3,966)
Increase/(decrease) in accrued salaries	(384)	19,662
Net cash provided by operating activities	<u>\$ 194,392</u>	<u>\$ 90,632</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of land, building & equipment	<u>\$ (10,846)</u>	<u>\$ (21,416)</u>
Net cash used for investing activities	<u>\$ (10,846)</u>	<u>\$ (21,416)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	<u>\$ (9,728)</u>	<u>\$ (24,337)</u>
Net cash used for financing activities	<u>\$ (9,728)</u>	<u>\$ (24,337)</u>
 NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	 \$ 173,818	 \$ 44,879
CASH AND CASH EQUIVALENTS-Beginning of Year	<u>170,678</u>	<u>125,799</u>
CASH AND CASH EQUIVALENTS-End of Year	<u>\$ 344,496</u>	<u>\$ 170,678</u>

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

**THE ARC OF ST. MARTIN, INC.**  
 St. Martinville, Louisiana  
**STATEMENT OF FUNCTIONAL EXPENSES**  
 Year Ended June 30, 2005  
 (with comparative totals for the Year Ended June 30, 2004)

	<u>Adult Habilitation</u>	<u>Residential Homes</u>	<u>Total Program Services</u>
<b><u>FUNCTIONAL EXPENSES:</u></b>			
Salaries and wages	\$ 749,598	\$ 301,777	\$ 1,051,375
Employee benefits	26,978	38,938	65,916
Payroll taxes	58,136	27,140	85,276
	<hr/>	<hr/>	<hr/>
Total salaries and related expenses	\$ 834,712	\$ 367,855	\$ 1,202,567
Rental of Property	-	-	-
Maintenance & Repairs	8,157	2,427	10,584
Professional Fees	19,762	6,511	26,273
Supplies	10,234	1,358	11,592
Insurance	108,718	24,017	132,735
Interest	-	832	832
Utilities & telephone	19,476	12,853	32,329
Dues & publications	222	100	322
Automotive	38,620	5,352	43,972
Provider fees & licenses	4,456	57,572	62,028
Office expenses	11,328	15	11,343
Personal client needs	523	3,947	4,470
Travel, seminars, etc.	4,819	70	4,889
Consultant fees	400	12,645	13,045
Educational	50	2,820	2,870
Recreational	-	411	411
Dietary	1,314	6,821	8,135
Food	3,046	21,040	24,086
Medical & nursing	1,418	8,247	9,665
Training	2,971	-	2,971
Association responsibility	7,544	-	7,544
Housekeeping	18	2,247	2,265
Laundry and linen	--	--	--
Other	97	48	145
	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	\$ 1,077,885	\$ 537,188	\$ 1,615,073
Depreciation	38,083	14,215	52,298
	<hr/>	<hr/>	<hr/>
Total expenses	\$ 1,115,968	\$ 551,403	\$ 1,667,371

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

<u>Management and General</u>	<u>Year End Totals</u>	
	<u>6/30/05</u>	<u>6/30/04</u>
\$ 222,485	\$ 1,273,860	\$ 1,048,166
8,889	74,805	70,564
18,503	103,779	81,242
<hr/>	<hr/>	<hr/>
\$ 249,877	\$ 1,452,444	\$ 1,199,972
-	-	--
--	10,584	17,776
--	26,273	10,902
3,051	14,643	10,025
12,521	145,256	95,073
-	832	1,227
--	32,329	26,815
-	322	167
--	43,972	44,684
-	62,028	52,272
--	11,343	14,184
-	4,470	4,756
880	5,769	11,685
-	13,045	14,972
-	2,870	8,080
-	411	149
-	8,135	7,651
1,095	25,181	30,256
-	9,665	11,727
-	2,971	424
-	7,544	4,916
-	2,265	2,079
-	--	445
--	145	616
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\$ 267,424	\$ 1,882,497	\$ 1,570,853
1,719	54,017	61,356
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\$ 269,143	\$ 1,936,514	\$ 1,632,209
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**THE ARC OF ST. MARTIN, INC.**  
St. Martinville, Louisiana  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The ARC of St. Martin, Inc. is a non-profit community organization governed by a volunteer board of directors, which operates an adult habilitation center and two residential community homes serving the needs of the mentally retarded citizens of St. Martin Parish, Louisiana.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, 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.

Total Columns

Total columns are presented to facilitate financial analysis. Data in these columns do not present financial position, results of operations and changes in net assets in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Arc of St. Martin had no temporarily or permanently restricted net assets for the year ended June 30, 2005 or 2004.

Many volunteers have donated significant amounts of time to the ARC of St. Martin's special events. No amounts are recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

Contributions of donated noncash assets are recorded at their fair values in the period received.

**THE ARC OF ST. MARTIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

Cash Equivalents

The ARC of St. Martin considers all cash accounts and certificates of deposit with a maturity of three months or less when purchased to be cash and cash equivalents. Fair values approximate carrying values for all cash equivalents, due to the initial maturities of the instruments being three months or less.

Income Taxes

The ARC of St. Martin, Inc. qualifies as a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code and similar state provisions and, therefore, no provision for federal income taxes has been made in the accompanying financial statements. The organization is not classified as a private foundation.

Support and Revenue

The ARC of St. Martin, Inc. receives the majority of its program funding primarily from the State Department of Health and Hospitals and other state agencies, through third-party reimbursement arrangement. These revenues and the allowability of the related expenditures, are subject to audits by the granting agencies.

Fixed Assets

The Organization follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$100. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

Buildings	40 years
Improvements	10 years
Furniture and Equipment	7 years
Vehicles	5 years

The net fixed asset balance has been recorded as a separate component in unrestricted net assets.

**THE ARC OF ST. MARTIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

Functional Allocation of Expenses

The costs of providing various services and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses in accordance with cost reporting regulations of the Louisiana Department of Health and Hospitals. Accordingly, certain costs have been allocated among the services and activities benefited. Transactions and resulting balances of charges for services between the Association's programs have been eliminated from the financial statements.

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.

(2) ACCOUNTS RECEIVABLE

Accounts receivable primarily represent amounts due from various Federal/State agencies and are deemed to be fully collectible by management, and therefore, no allowance has been provided for bad debts. As of June 30, 2005 and 2004, accounts receivable was composed of the following:

	<u>2005</u>	<u>2004</u>
Louisiana Department of Health and Hospitals-Office for Citizens with Developmental Disabilities	\$ 142,433	\$ 149,307
United Way	5,000	4,667
Work contracts receivable	4,347	3,041
Due from SIL Clients	4,257	2,677
	<u>\$ 156,037</u>	<u>\$ 159,692</u>

(3) FIXED ASSETS AND DEPRECIATION

Depreciation of fixed assets is calculated on the straight-line basis over the estimated useful lives of the assets. The cost of such assets at June 30, 2005 and 2004 is as follows:

	<u>2005</u>	<u>2004</u>
Land and buildings	\$ 488,512	\$ 486,353
Furniture, fixtures, & equipment	51,743	59,677
Vehicles	279,515	283,168
	<u>\$ 819,770</u>	<u>\$ 829,198</u>
Subtotal	\$ 819,770	\$ 829,198
Less: Accumulated Depreciation	(405,266)	(371,523)
	<u>\$ 414,504</u>	<u>\$ 457,675</u>
Total	<u>\$ 414,504</u>	<u>\$ 457,675</u>

**THE ARC OF ST. MARTIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

(4) NOTES PAYABLE

The notes payable consist of installment notes with a carrying value of \$16,319 at June 30, 2005 and \$26,047 at June 30, 2004, payable to First Louisiana National Bank, in monthly installments of \$880.00 thru January, 2007 including interest at 3.5%, secured by a chattel mortgage on the vehicles owned and operated by the Organization, and a pledge of certificates of deposit with First Louisiana National Bank.

The annual requirements to amortize all notes outstanding at June 30, 2005, including interest of \$892 are as follows:

Fiscal Year	<u>Total</u>
End	
6/2006	\$10,560
6/2007	6,172
Total	<u>\$16,732</u>

(5) RETIREMENT PLANS

Employees of the ARC of St. Martin, Inc. are members of the Social Security System. The organization and its employees contribute a percentage of each employee's salary to the System (7.65 percent each). The organization's contribution was \$96,207 and \$77,337 during the years ended June 30, 2005 and 2004, respectively.

(6) COMPENSATED ABSENCES

Employees of The ARC of St. Martin, Inc. are entitled to paid vacation, paid sick leave, and personal days off, depending on job classification, length of service, and other factors. There is no material accumulated leave at June 30, 2005 and 2004 and accordingly, no liability has been recorded in the accompanying financial statements for compensated absences.

(7) CONCENTRATIONS OF REVENUE/CASH BALANCES

The Association receives federal and state funding on a per diem per client/unit basis. Federal and state matching funds from the Department of Health and Human Services, passed through the Louisiana State Department of Health and Hospitals Office of Family Security, Medical Assistance Program – Medicaid/ Title XIX are on a per diem basis. These payments, reported as residential and habilitation services, are considered a payment for a service as opposed to a grant award. In addition, the Association receives state grants from the Department of Health and Hospitals Office for Citizens with Developmental Disabilities on a per diem basis.

If significant budget cuts are made at the federal, state and/or local levels the amount of the funds the Association receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Association will receive in the next fiscal year. Should such a reduction in funding occur, however, management believes that changes can be incorporated into the continuing operations without a catastrophic result.

**THE ARC OF ST. MARTIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

(7) CONCENTRATIONS OF REVENUE/CASH BALANCES (Continued)

The Organization maintains substantially all of its cash deposit accounts at St. Martin Bank and Trust, Teche Bank and Trust, and First Louisiana National Bank. Cash accounts at banks are insured by the FDIC for up to \$100,000. Cash and certificate of deposit balances at these institutions exceeded federally insured limits by \$90,090 and \$31,209 as of June 30, 2005 and 2004, respectively.

(8) COMMITMENTS AND CONTINGENCIES

Programs funded by Medicare/Medicaid fiscal intermediaries are subject to audit and adjustment by the State of Louisiana – Dept. of Health and Hospital. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the state cannot be determined at this time, although the Association expects such amounts, if any, to be immaterial.

Also, at June 30, 2005, the ARC of St. Martin has been named as a defendant in a class action lawsuit involving the applicability of federal overtime labor provisions to domestic and household employees (homeworkers). Management is of the opinion that any adverse decision in this pending legal matter will have an immaterial effect on future financial operations of the Association.

(9) RISK MANAGEMENT

The Organization is exposed to risks of loss in the areas of general and auto liability and workers' compensation. Those risks are handled by purchasing commercial insurance. There have been no significant reductions in insurance coverage during the current or prior fiscal years. Also, there were no settled claims that exceeded this commercial coverage during the years ended June 30, 2005 and 2004.

(10) SUBSEQUENT EVENTS

At June 30, 2005, the ARC of St. Martin had obtained HUD approval for the funding and construction of a section 811 apartment complex. The association intends to form a separate corporation to handle the construction and operations of this project.

(11) RELATED PARTY TRANSACTIONS

The Association maintains a portion of its cash and investments in one bank at which one of the Association's board members also serves as an officer and director.

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LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of  
The ARC of St. Martin, Inc.  
St. Martinville, Louisiana

We have audited the financial statements of The ARC of St. Martin, Inc. (a nonprofit organization), as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated October 29, 2005. 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.

### Compliance

As part of obtaining reasonable assurance about whether The ARC of St. Martin'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 non-compliance that are required to be reported under Government Auditing Standards.

### Internal Control Over Financial Statements

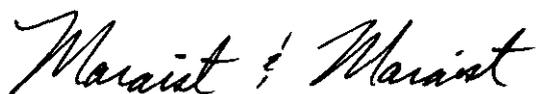
In planning and performing our audit, we considered The ARC of St. Martin's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain 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 the ARC of St. Martin's ability to record, process, summarize and report

To the Board of Directors of  
The ARC of St. Martin, Inc.

financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings, questioned costs and management's corrective action plan as item 05-1.

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 believe that none of the reportable conditions described above is a material weakness.

*This report is intended solely for the information of management, others within the organization, Board Members, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.*



MARAIST & MARAIST  
CERTIFIED PUBLIC ACCOUNTANTS

October 29, 2005

**THE ARC OF ST. MARTIN, INC.**  
St. Martinville, Louisiana

Schedule of Audit Findings and Questioned Costs

Year Ended June 30, 2005

Part I: Summary of Audit Results:

1. The auditor's report expressed an unqualified opinion on the financial statements of the ARC of St. Martin, Inc.
2. A reportable condition in internal control was disclosed by the audit of the financial statements, (Item 05-1), however, it was not considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of the ARC of St. Martin, Inc. were disclosed during the audit.

Part II: Findings – Financial Statement Audit:

REPORTABLE CONDITIONS

05-1 Segregation of Duties

Finding: Due to the small number of employees, the organization did not have adequate segregation of functions within the accounting system.

Recommendation: No action is recommended. It would not be cost effective to increase the size of the staff to achieve effective segregation of duties.

**THE ARC OF ST. MARTIN, INC.**  
St. Martinville, Louisiana

Schedule of Prior Audit Findings and Questioned Costs

Year Ended June 30, 2005

Part I: Financial Statement Audit Reportable Conditions

04-1 Segregation of Duties

Condition: Due to the small number of employees, the organization did not have adequate segregation of functions within the accounting system.

Current Status: A similar finding was noted in the prior and succeeding years.