

3181
RECEIVED
LEGISLATIVE AUDITOR
2002 DEC 24 AM 9:56

**SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
MANY, LOUISIANA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2002**

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 1-22-03

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
MANY, LOUISIANA
TABLE OF CONTENTS
JUNE 30, 2002

	<u>EXHIBIT</u>	<u>SCHEDULE</u>	<u>PAGE</u>
Board of Directors	-	-	1
Independent Auditors' Report	-	-	2
Financial Statements			
Statement of Financial Position	A	-	3
Statement of Activities	B	-	4
Statement of Cash Flows	C	-	5
Statement of Functional Expenses	D	-	6
Notes to the Financial Statements	-	-	8
Group Homes			
Statement of Financial Position	-	1	14
Statement of Activities	-	2	15
Statement of Cash Flows	-	3	16
Statement of Functional Expenses	-	4	17
Adult Habilitation Program			
Statement of Financial Position	-	5	18
Statement of Activities	-	6	19
Statement of Cash Flows	-	7	20
Statement of Functional Expenses	-	8	21
Sheltered Workshop			
Statement of Financial Position	-	9	22
Statement of Activities	-	10	23
Statement of Cash Flows	-	11	24
Statement of Functional Expenses	-	12	25
Schedule of Compensation to Board Members	-	13	27
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	-	-	28
Summary Schedule of Prior Audit Findings	-	14	29
Corrective Action Plan for Current Year Audit Findings	-	15	30

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
MANY, LOUISIANA
BOARD OF DIRECTORS
JUNE 30, 2002

President

Pete Abington

Vice-President

Welton Anthony

Secretary

Marguerite Spears

Treasurer

Mary Hariel

Board Members

Katherine Green
Gene Hubley
Anna Lites
Gloria Ruffin
Carla Garner

Executive Director

Wayne Martinez

HINES, JACKSON & HINES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 2188 • 133 EAST FIFTH STREET
NATCHITOCHES, LA 71457

Telephone (318) 352-6458
FAX (318) 352-0404
office@hjhcpa.biz

FRANK S. HINES, CPA
LEWIS C. HINES, CPA
E. MERLIN SQUYRES, CPA
JAY H. SHEFFIELD, CPA

A. NEILL JACKSON, JR., CPA
1926-1999

INDEPENDENT AUDITORS' REPORT

Board of Directors
Sabine Association for Retarded Citizens, Inc.
Many, Louisiana 71449

We have audited the accompanying statement of financial position of the Sabine Association for Retarded Citizens, Inc., (a non-profit organization) as of June 30, 2002, and the related statements of activities, cash flows, and functional expenses 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 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 Sabine Association for Retarded Citizens, Inc., as of June 30, 2002, and the changes in its net assets, cash flows, and functional expenses 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 a report dated December 16, 2002, on our consideration of the Sabine 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 in accordance 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 financial statements of the Sabine Association for Retarded Citizens, Inc., Many, Louisiana, taken as a whole. The accompanying supplemental information schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Hines, Jackson & Hines

Natchitoches, Louisiana
December 16, 2002

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
MANY, LOUISIANA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2002

ASSETS

Cash and cash equivalents	\$ 324,644
Receivables	235,654
Due from other units	128,607
Inventory	32,989
Prepaid expenses	37,782
Deposits	11,190
Property, buildings and equipment, net	<u>765,821</u>
 Total Assets	 <u>\$ 1,536,687</u>

LIABILITIES

Accounts payable	\$
Trade	70,628
Compensation	81,902
Payroll taxes	5,872
Property taxes	2,230
Accrued interest	346
Accrued provider fees	11,761
Due to other units	128,607
Long-term debt	<u>87,058</u>
 Total Liabilities	 388,404

NET ASSETS

Unrestricted	1,123,901
Temporarily restricted	<u>24,382</u>
 Total Net Assets	 <u>1,148,283</u>
 Total Liabilities and Net Assets	 <u>\$ 1,536,687</u>

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
MANY, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2002

UNRESTRICTED NET ASSETS

Support	
Medicaid	\$ 1,694,786
Patient liability	99,286
Contract Work	381,933
Adult Day Service Fees, State of Louisiana, Department of Health and Hospitals, Office for Citizens with Developmental Disabilities	296,140
Rentals	13,800
Intercompany transfers	120,687
Group Homes	250,720
Supported Independent Living	41,537
Other	26,505
Net Assets Released from Restrictions	
Depreciation on restricted assets	<u>15,838</u>
Total Revenues, Gains and Other Support	2,941,232
EXPENSES	
Program Services	2,058,882
Management and General	714,338
Intercompany transfers	<u>120,687</u>
Total Expenses	<u>2,893,907</u>
Increase in Unrestricted Net Assets	47,325
TEMPORARILY RESTRICTED NET ASSETS	
Current depreciation on restricted assets	<u>(15,838)</u>
Increase/(Decrease) in Temporarily Restricted Net Assets	<u>(15,838)</u>
INCREASE IN NET ASSETS	31,487
NET ASSETS, Beginning of year	<u>1,116,796</u>
NET ASSETS, End of year	<u>\$ 1,148,283</u>

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
MANY, LOUISIANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES	\$ 31,487
Change in net assets	104,013
Adjustments to reconcile change in net assets to net cash used by operating activities	385
Depreciation	(7,257)
Bad debt expense	14,309
Gain on sale of assets	1,121
(Increase)/decrease in operating assets	(34,393)
Receivables	(400)
Inventory	1,358
Prepaid expenses	7,636
Deposits	641
Increase/(decrease) in operating liabilities	160
Accounts payable	(2,105)
Trade	(177)
Compensation	164
Payroll taxes	116,942
Property taxes	21,375
Commissions	(20,648)
Accrued interest	(78,545)
Accrued provider fees	(77,818)
Net Cash Provided By/(Used In) Operating Activities	(132,460)
CASH FLOWS FROM INVESTING ACTIVITIES	(93,336)
Proceed from sale of assets	417,980
Purchase of buildings	324,644
Purchase of equipment	(77,818)
Net Cash Provided By/(Used In) Investing Activities	(132,460)
CASH FLOWS FROM FINANCING ACTIVITIES	(132,460)
Principal repayments on long-term debt	(132,460)
Net Cash Provided By/(Used In) Financing Activities	(132,460)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(93,336)
CASH AND CASH EQUIVALENTS, Beginning of year	417,980
CASH AND CASH EQUIVALENTS, End of year	\$ 324,644

The notes to the financial statements are an integral part of this statement.

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
MANY, LOUISIANA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2002

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
COMPENSATION AND RELATED EXPENSES			
Employee benefits	\$ 28,324	\$ 1,478	\$ 29,802
Payroll taxes	158,414	17,226	175,640
Salaries	942,563	286,248	1,228,811
Workman's compensation insurance	<u>24,077</u>	<u>2,916</u>	<u>26,993</u>
Total Compensation And Related Expenses	1,153,378	307,868	1,461,246
OCCUPANCY EXPENSES			
Depreciation	33,517	6,097	39,614
Insurance	14,814	10,113	24,927
Interest	11,603	0	11,603
Property taxes	0	4,503	4,503
Repairs and maintenance	23,834	13,552	37,386
Utilities	<u>39,050</u>	<u>15,045</u>	<u>54,095</u>
Total Occupancy Expenses	122,818	49,310	172,128
TRANSPORTATION EXPENSES			
Depreciation	40,860	4,736	45,596
Fuel and oil	26,672	3,465	30,137
Insurance	15,628	11,123	26,751
Repairs and maintenance	<u>26,808</u>	<u>4,723</u>	<u>31,531</u>
Total Transportation Expenses	109,968	24,047	134,015
OTHER EXPENSES			
Bad debt	385	0	385
Central office expense	0	250,720	250,720
Client recreation	1,522	0	1,522
Clothing and other personal items	25,694	0	25,694
Commissions	5,501	0	5,501
Contract services	83,495	0	83,495
Depreciation	16,036	2,767	18,803
Ducs	167	2,326	2,493
Food	119,676	0	119,676
Insurance	7,107	11,863	18,970
License	<u>\$ 4,888</u>	<u>\$ 0</u>	<u>\$ 4,888</u>

The notes to the financial statements are an integral part of this statement.

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
MANY, LOUISIANA
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2002

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
OTHER EXPENSES (CONTINUED)			
Materials	\$ 110,732	\$ 0	\$ 110,732
Other	8,093	3,623	11,716
Postage	0	2,135	2,135
Professional fees	38,738	21,263	60,001
Provider fees-DHH	138,625	0	138,625
Repairs and maintenance	34,052	1,932	35,984
Rent	0	10,758	10,758
Supplies	75,149	16,856	92,005
Telephone	2,532	8,226	10,758
Training	326	221	547
Travel	<u>0</u>	<u>423</u>	<u>423</u>
Total Other Expenses	<u>672,718</u>	<u>333,113</u>	<u>1,005,831</u>
Total Functional Expenses	<u>\$ 2,058,882</u>	<u>\$ 714,338</u>	<u>\$ 2,773,220</u>

The notes to the financial statements are an integral part of this statement.

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Sabine Association for Retarded Citizens, Inc., is a quasi-governmental, nonprofit organization incorporated August 13, 1970, whose purpose is to a) promote the general welfare of mentally retarded citizens everywhere (at home, at school, in the community, and in institutions), b) aid the parents and families of mentally retarded citizens in the solution of personal, family and social problems arising from mental retardation, c) cooperate with all public and private agencies, organizations, groups and individuals working for the welfare of mentally retarded citizens, d) promote through dissemination of information to the general public, a fuller and more sympathetic understanding of the problems of mental retardation, their wide prevalence, and consequential social implications, e) help provide facilities for evaluation, care, treatment, education and employment of mentally retarded citizens, f) research into all phases of mental retardation: The causes, prevention, medical and social treatment, special educational methods, and opportunities for employment, g) train and educate both professional and nonprofessional personnel for work in the field of mental retardation, h) serve as a clearinghouse of information concerning mental retardation and activities on behalf of the mentally retarded in Sabine Parish, I) help foster local, state and national legislation on behalf of mentally retarded citizens.

The Association operates three separate divisions. One, the Adult Habilitation Program, receives funding from the State of Louisiana, Department of Health and Hospitals, Office for Citizens with Developmental Disabilities to provide adult day services for a minimum of 44 clients for at least 240 days each year. Two, Sabine Productions, a totally self-supportive sheltered workshop program, generating revenues through contracts with private individuals and companies for the provision of services performed by the members of the workshop. No federal financial assistance of any type is received by Sabine Productions. Three, Group residential services, which operates six (6) group homes for the benefit of mentally handicapped individuals. The purpose of the group homes is to provide for the needs of mentally handicapped individuals in the area of appropriate residential living. The Community Homes receive funding from the United States Department of Health and Human Services, Medical Assistance Program, Title XIX, Medicaid, as administered by the State of Louisiana, Department of Health and Hospitals. The Sabine Association for Retarded Citizens Community Homes division reimburses the Adult Habilitation Program for actual expenses incurred by the program to provide day training and supervision to participating group home residents.

CASH AND CASH EQUIVALENTS

Consistent with FASB 95, Statement of Cash Flows, The Association defines cash and cash equivalents as not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

PROPERTY, BUILDINGS AND EQUIPMENT

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property, buildings and equipment are reported as restricted support. When donor stipulations are absent regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property, buildings and equipment are depreciated using the straight-line method.

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET ASSETS

The Association has elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Association 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.

PROMISES TO GIVE

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are reported as increases in temporary or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

CONTRIBUTIONS

The Association has elected to adopt Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

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.

INCOME TAXES

The Sabine Association for Retarded Citizens, Inc., is exempt from income taxes under Internal Revenue Code Section 501(c)(3).

NOTE 2 RESTRICTIONS ON ASSETS

Restrictions on assets at June 30, 2002, relate to vans obtained by the Association through Section 16 of the Federal Transit Act which provides grants for the specific purpose of providing transportation services to elderly and handicapped persons for whom mass transportation services are unavailable, insufficient or inappropriate. The program is administered by the Louisiana Department of Transportation and Development. Disposition of the vehicles must have DOTD approval, must be in conformance with the provisions of OMB Circular A-102, Attachment N and a portion of the funds received must be returned to DOTD in proportion to the original percentage of federal funds contributed.

It is the policy of the Association to amortize the asset restriction over its estimated useful life using the straight-line method.

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002

NOTE 3 CASH AND CASH EQUIVALENTS

At June 30, 2002, the Association had cash and cash equivalents totaling \$324,644, as follows:

Petty cash	\$ 265
Demand deposit accounts	76,969
Interest bearing accounts	<u>247,410</u>
Total	<u>\$ 324,644</u>

At June 30, 2002, the Association had \$351,280 in bank deposits. These deposits were secured from risk by \$281,770 of federal deposit insurance and \$378,489 (market value) of pledged securities held by the custodial banks in the name of the fiscal agent.

NOTE 4 RECEIVABLES

The Sabine Association for Retarded Citizens, Inc., entered into a contract with the State of Louisiana, Department of Health and Hospitals, Office for Citizens with Developmental Disabilities to provide habilitation programming to a minimum of 44 clients per month during the period July 1, 2001 to June 30, 2002. At the end of each month, a payment requisition is forwarded to the Office of Community Services requesting payment for services provided to clients during the month ended.

The Association received a license from the State of Louisiana, Department of Health and Hospitals, Office for Citizens with Developmental Disabilities to provide for the needs of clients who are residing in supervised apartments during the period July 1, 2001 to June 30, 2002. At the end of each month, a payment requisition is forwarded to the Office for Citizens with Developmental Disabilities requesting payment for services provided to clients during the month ended.

The Association has also entered into several contractual agreements to provide ground keeping services, janitorial services and contract labor to various local businesses and governmental entities.

At June 30, 2002, receivables consisted of the following:

State of Louisiana, Department of Health and Hospitals, Office for Citizens with Developmental Disabilities	\$ 166,360
Contracts receivable	57,190
Other	<u>12,104</u>
Total	<u>\$ 235,654</u>

NOTE 5 PROPERTY, BUILDINGS AND EQUIPMENT

All property and equipment are stated at historical cost. Depreciation is charged as an expense against operations and has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	15-20 years	Furniture and fixtures	7-10 years
Automobiles	5 years	Machinery and equipment	5-7 years

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002

NOTE 5 PROPERTY, BUILDINGS AND EQUIPMENT (CONTINUED)

A summary of property and equipment at June 30, 2002, is presented below:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Depreciation This Year</u>
Land	\$ 101,200	\$ 0	\$ 101,200	\$ 0
Buildings	763,045	244,847	518,198	39,614
Furniture and equipment	280,524	234,145	46,379	18,803
Automobiles	<u>240,993</u>	<u>140,949</u>	<u>100,044</u>	<u>45,596</u>
Total	<u>\$ 1,385,762</u>	<u>\$ 619,941</u>	<u>\$ 765,821</u>	<u>\$ 104,013</u>

The Association's automobiles were partially funded by Urban Mass Transportation Capital Improvement Grants and are subject to the applicable restrictions described in Note 2.

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in activities.

NOTE 6 LONG-TERM DEBT

The Sabine Association for Retarded Citizens, Inc. long-term obligations consists of the following:

Installment Note (Group Home #3)-\$90,000 Installment note, dated April 18, 1997, due in monthly installments of \$1,013 through April 18, 2007; interest at 7.25%, secured by home #3.	\$ 51,313
Installment Note (Group Home #4)-\$80,000 Installment note, dated April 18, 1997, due in monthly installments of \$2,856 through April 18, 2007; interest at 7.25%, secured by home #4.	<u>35,745</u>
Total debt	87,058
Less: Current maturities	<u>(41,479)</u>
Net Long-Term Debt	<u>\$ 45,579</u>

Scheduled maturities of long-term debt are as follows:

Year Ending <u>June 30,</u>	
2003	\$ 41,479
2004	12,530
2005	9,762
2006	10,494
2007	<u>12,793</u>
Total	<u>\$ 87,058</u>

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002

NOTE 7 LEASE OBLIGATIONS

The Sabine Association for Retarded Citizens, Inc. was not obligated under any capital or operating leases at June 30, 2002.

NOTE 8 EMPLOYEE RETIREMENT SYSTEM

All employees of the Association are protected by the Social Security System. All employees contribute 6.2% of their total salary to the system, while the Association contributes a like amount. For the year ending June 30, 2002, total contributions to the system were \$152,372, of which the Association contributed \$76,186 and employees contributed \$76,186. Total payroll covered by this system for the year ended June 30, 2002 was \$1,228,811. Any future deficits in this system will be financed by the Federal government. The Association has no further liability to the system.

NOTE 9 COMPENSATED ABSENCES

Association employees are entitled to certain compensated absences based on their length of employment.

<u>FULL TIME EMPLOYMENT</u>	<u>HOURS EARNED PER YEAR</u>
1-3 years	48
3-5 years	72
5-10 years	96
10-15 years	144
Over 15 years	192

All leave is accrued on a monthly basis and may be used in increments of less than a full day. A maximum of eighty (80) hours may be carried to the next accounting year. All unused leave in excess of forty (40) hours is forfeited at the end of each accounting year.

NOTE 10 INTERCOMPANY RECEIVABLES/PAYABLES

Due to/from other units:

	<u>Due From Other Units</u>	<u>Due To Other Units</u>
Group Homes	\$ 108,102	\$ 20,505
Adult Habilitation	20,505	0
Shelter workshop	<u>0</u>	<u>108,102</u>
Total	<u>\$ 128,607</u>	<u>\$ 128,607</u>

NOTE 11 LITIGATION

The Sabine Association for Retarded Citizens, Inc. was a defendant in one lawsuit as of June 30, 2002. Although the outcome of this lawsuits is not presently determinable, any potential losses not covered by applicable insurance is not considered to be material in relation to the Association's overall financial condition.

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
MANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2002

NOTE 12 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Sabine Association for Retarded Citizens, Inc., entered into a contract with the State of Louisiana Department of Health and Hospitals, Office for Citizens with Developmental Disabilities to provide adult habilitation services. Transactions of the Association were made in accordance with the requirements contained in Formula Funding and Guidelines for Allowable Costs in Adult Habilitation Services Contracted with the Division of Mental Retardation and Developmental Disabilities. All contract services invoiced under this contract were not recovered under any other contract.

NOTE 13 RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Association maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Association.

NOTE 14 CLAIMS AND JUDGEMENTS

The Association participates in federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Association may be required to reimburse the grantor government. Management believes that disallowed expenditures, if any, based on subsequent audits, will not have a material effect on the Association's overall financial position.

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
GROUP HOMES
MANY, LOUISIANA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2002

ASSETS

Cash and cash equivalents	\$ 160,894
Receivables	
State of Louisiana, Department of Health and Hospitals, Office for Citizens with Developmental Disabilities	138,259
Other	9,994
Due from SARC day programs and sheltered workshops	108,102
Prepaid expenses	37,782
Deposits	25
Property, buildings and equipment, net	<u>601,876</u>
 Total Assets	 <u>\$ 1,056,932</u>

LIABILITIES

Accounts payable	
Trade	\$ 47,109
Compensation	57,151
Payroll taxes	4,101
Accrued interest	346
Accrued provider fees	11,761
Due to SARC day programs and sheltered workshops	20,505
Long-term debt	<u>87,058</u>
 Total Liabilities	 228,031

NET ASSETS

Unrestricted	<u>828,901</u>
 Total Net Assets	 <u>828,901</u>
 Total Liabilities and Net Assets	 <u>\$ 1,056,932</u>

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
GROUP HOMES
MANY, LOUISIANA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2002

Support	
Medicaid	\$ 1,694,786
Patient Liability	99,286
Others	<u>12,839</u>
Total Revenues, Gains and Other Support	1,806,911
Expenses	
Program Services	1,279,887
Management and General	498,197
Intercompany transfers	<u>17,938</u>
Total Expenses	<u>1,796,022</u>
INCREASE/(DECREASE) IN NET ASSETS	10,889
NET ASSETS, Beginning of year	<u>818,012</u>
NET ASSETS, End of year	<u>\$ 828,901</u>

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
GROUP HOMES
MANY, LOUISIANA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 10,889
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	65,732
Gain on sale of assets	(5,607)
(Increase)/decrease in operating assets	
Receivables	
OCDD	
Other	(5,539)
Prepaid expenses	2,967
Increase/(decrease) in operating liabilities	
Accounts payable	(35,585)
Trade	7,473
Compensation	5,435
Payroll taxes	483
Accrued interest	(177)
Accrued provider fees	<u>164</u>
Net Cash Provided By/(Used In) Operating Activities	46,235
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceed from sale of assets	19,725
Purchase of buildings	(15,045)
Purchase of equipment	<u>(36,856)</u>
Net Cash Provided By/(Used In) Investing Activities	(32,176)
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on notes payable	(132,460)
Cash received from sheltered workshops	<u>88,840</u>
Net Cash Provided By/(Used In) Financing Activities	<u>(43,620)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(29,561)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>190,455</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 160,894</u></u>

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
GROUP HOMES
MANY, LOUISIANA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2002

	Program Services	Management and General	Total
COMPENSATION AND RELATED EXPENSES			
Employee benefits	\$ 21,160	\$ 83	\$ 21,243
Payroll taxes	48,107	15,806	63,913
Salaries	592,781	260,790	853,571
Workman's compensation insurance	10,329	2,076	12,405
Total Compensation and Related Expenses	672,377	278,755	951,132
OCCUPANCY EXPENSES			
Depreciation	24,454	6,097	30,551
Insurance	14,814	6,179	20,993
Interest	11,603	0	11,603
Repairs and maintenance	21,330	13,552	34,882
Utilities	30,433	15,045	45,478
Total Occupancy Expenses	102,634	40,873	143,507
TRANSPORTATION EXPENSES			
Depreciation	22,128	4,736	26,864
Fuel and oil	10,262	3,465	13,727
Insurance	9,336	5,037	14,373
Repairs and maintenance	5,975	4,723	10,698
Total Transportation Expenses	47,701	17,961	65,662
OTHER EXPENSES			
Central office expense	0	104,030	104,030
Clothing and other personal items	25,694	0	25,694
Contract services	75,161	0	75,161
Depreciation	5,550	2,767	8,317
Dues	0	2,326	2,326
Food	97,744	0	97,744
Insurance	7,107	6,662	13,769
Licenses	4,590	0	4,590
Other	7,976	2,391	10,367
Postage	0	2,135	2,135
Professional fees	38,738	5,708	44,446
Provider fees-DHH	138,625	0	138,625
Rent	0	10,758	10,758
Repairs and maintenance	11,249	1,932	13,181
Supplies	41,883	15,811	57,694
Telephone	2,532	5,602	8,134
Training	326	63	389
Travel	0	423	423
Total Other Expenses	457,175	160,608	617,783
Total Functional Expenses	\$ 1,279,887	\$ 498,197	\$ 1,778,084

The notes to the financial statements are an integral part of this statement.

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
ADULT HABILITATION PROGRAM
MANY, LOUISIANA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2002

	<u>Supported Individual Living</u>	<u>Adult Day Habilitation</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 19,899	\$ 113,740	\$ 133,639
Receivables			
State of Louisiana, Department of Health and Hospitals, Office for Citizens with Developmental Disabilities	3,414	24,687	28,101
Other	0	1,861	1,861
Due from SARC Group Homes	628	19,877	20,505
Deposits	0	10,400	10,400
Property, buildings and equipment, net	<u>0</u>	<u>24,382</u>	<u>24,382</u>
Total Assets	<u>\$ 23,941</u>	<u>\$ 194,947</u>	<u>\$ 218,888</u>
LIABILITIES			
Accounts payable			
Trade	\$ 0	\$ 1,785	\$ 1,785
Compensation	0	11,392	11,392
Payroll taxes	<u>0</u>	<u>1,322</u>	<u>1,322</u>
Total Liabilities	0	14,499	14,499
NET ASSETS			
Unrestricted	23,941	156,066	180,007
Temporarily restricted	<u>0</u>	<u>24,382</u>	<u>24,382</u>
Total Net Assets	<u>23,941</u>	<u>180,448</u>	<u>204,389</u>
Total Liabilities and Net Assets	<u>\$ 23,941</u>	<u>\$ 194,947</u>	<u>\$ 218,888</u>

The notes to the financial statements are an integral part of this statement.

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
ADULT HABILITATION PROGRAM
MANY, LOUISIANA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2002

	Supported Individual Living	Adult Day Habilitation	Total
UNRESTRICTED NET ASSETS			
Support			
Adult Day Service Fees			
State of Louisiana, Department of Health and Hospitals, Office for Citizens with Developmental Disabilities	\$ 0	\$ 296,140	\$ 296,140
Group Homes	0	250,720	250,720
Supported Independent Living	41,537	0	41,537
Other	0	9,599	9,599
Net Assets Released from Restrictions			
Federal Transit Administration Sec.16			
Depreciation on restricted vans	0	15,838	15,838
Total Revenues, Gains and Other Support	41,537	572,297	613,834
Expenses			
Program Services	201	351,896	352,097
Management and General	14,373	168,112	182,485
Intercompany Transfers	22,102	76,614	98,716
Total Expenses	36,676	596,622	633,298
Increase/(Decrease) in Unrestricted Net Assets	4,861	(24,325)	(19,464)
TEMPORARILY RESTRICTED NET ASSETS			
Federal Transit Administration Sec. 16			
Current year depreciation	0	(15,838)	(15,838)
Increase/(Decrease) in Temporarily Restricted Net Assets	0	(15,838)	(15,838)
INCREASE/(DECREASE) IN NET ASSETS	4,861	(40,163)	(35,302)
NET ASSETS, Beginning of year	19,080	220,611	239,691
NET ASSETS, End of year	\$ 23,941	\$ 180,448	\$ 204,389

The notes to the financial statements are an integral part of this statement.

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
ADULT HABILITATION PROGRAM
MANY, LOUISIANA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (35,302)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	16,650
Gain on sale of assets	(1,650)
(Increase)/Decrease in operating assets	
Receivables	
OCDD	1,074
Other	226
Prepaid expenses	1,192
Deposits	(400)
Increase/(decrease) in operating liabilities	
Accounts payable	
Trade	(1,862)
Compensation	(6,211)
Payroll taxes	<u>119</u>
Net Cash Provided By/(Used In) Operating Activities	(26,164)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of assets	1,650
Purchase of property and equipment	<u>(12,177)</u>
Net Cash Provided By/(Used In) Investing Activities	(10,527)
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash received from sheltered workshops	<u>20,504</u>
Net Cash Provided By/(Used In) Financing Activities	<u>20,504</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(16,187)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>149,826</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 133,639</u>

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
ADULT HABILITATION PROGRAM
MANY, LOUISIANA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2002

	<u>Program Services</u>			<u>Management and General</u>	<u>Total</u>
	<u>Supported Individual Living</u>	<u>Adult Day Habilitation</u>	<u>Program Services</u>		
COMPENSATION AND RELATED EXPENSES					
Employee benefits	\$ 0	\$ 7,164	\$ 7,164	\$ 1,395	\$ 8,559
Payroll taxes	0	20,382	20,382	1,420	21,802
Salaries	0	269,356	269,356	25,458	294,814
Workman's compensation insurance	0	8,878	8,878	840	9,718
		<u>0</u>	<u>305,780</u>	<u>29,113</u>	<u>334,893</u>
Total Compensation and Related Expenses		0	305,780	29,113	334,893
TRANSPORTATION EXPENSES					
Depreciation	0	16,650	16,650	0	16,650
Fuel and oil	0	9,546	9,546	0	9,546
Insurance	0	0	0	6,086	6,086
Repairs and maintenance	0	15,695	15,695	0	15,695
		<u>0</u>	<u>41,891</u>	<u>6,086</u>	<u>47,977</u>
Total Transportation Expenses		0	41,891	6,086	47,977
OTHER EXPENSES					
Central office expense	0	0	0	135,658	135,658
Contract services	0	4,225	4,225	0	4,225
License	200	0	200	0	200
Other	1	0	1	424	425
Professional fees	0	0	0	9,787	9,787
Supplies	0	0	0	79	79
Telephone	0	0	0	1,180	1,180
Training	0	0	0	158	158
	<u>201</u>	<u>4,225</u>	<u>4,426</u>	<u>147,286</u>	<u>151,712</u>
Total Other Expenses		201	4,426	147,286	151,712
Total Functional Expenses	<u>\$ 201</u>	<u>\$ 351,896</u>	<u>\$ 352,097</u>	<u>\$ 182,485</u>	<u>\$ 534,582</u>

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
SHELTERED WORKSHOP
MANY, LOUISIANA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2002

	<u>Rental</u>	<u>Mobile</u>	<u>Sabine</u>	<u>Sabine</u>	<u>Woodshop</u>	<u>Total</u>
	<u>Building</u>	<u>Crew</u>	<u>Car Care</u>	<u>Production</u>		
				<u>Center</u>		
ASSETS						
Cash and cash equivalents	\$ 0	\$ 0	\$ 65	\$ 30,046	\$ 0	\$ 30,111
Accounts receivable	0	10,151	915	20,381	25,743	57,190
Other receivable	0	0	0	249	0	249
Inventory	0	0	1,923	13,859	17,207	32,989
Deposits	125	0	310	0	330	765
Property, buildings and equip., net	<u>48,528</u>	<u>32,657</u>	<u>20,486</u>	<u>176</u>	<u>37,716</u>	<u>139,563</u>
Total Assets	<u>\$ 48,653</u>	<u>\$ 42,808</u>	<u>\$ 23,699</u>	<u>\$ 64,711</u>	<u>\$ 80,996</u>	<u>\$ 260,867</u>
LIABILITIES						
Accounts payable						
Trade	\$ 550	\$ 0	\$ 0	\$ 21,184	\$ 0	\$ 21,734
Compensation	0	4,122	1,674	2,176	5,387	13,359
Payroll taxes	0	201	37	130	81	449
Property taxes	550	120	60	300	1,200	2,230
Due to SARC Group Homes	<u>1,431</u>	<u>1,470</u>	<u>3,007</u>	<u>66,421</u>	<u>35,773</u>	<u>108,102</u>
Total Liabilities	2,531	5,913	4,778	90,211	42,441	145,874
NET ASSETS						
Unrestricted/(deficit)	<u>46,122</u>	<u>36,895</u>	<u>18,921</u>	<u>(25,500)</u>	<u>38,555</u>	<u>114,993</u>
Total Net Assets	<u>46,122</u>	<u>36,895</u>	<u>18,921</u>	<u>(25,500)</u>	<u>38,555</u>	<u>114,993</u>
Total Liabilities and Net Assets	<u>\$ 48,653</u>	<u>\$ 42,808</u>	<u>\$ 23,699</u>	<u>\$ 64,711</u>	<u>\$ 80,996</u>	<u>\$ 260,867</u>

The notes to the financial statements are an integral part of this statement.

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
SHELTERED WORKSHOP
 MANY, LOUISIANA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2002

	<u>Rental Building</u>	<u>Mobile Crew</u>	<u>Sabine Car Care</u>	<u>Sabine Production Center</u>	<u>Woodshop</u>	<u>Total</u>
UNRESTRICTED NET ASSETS						
Support						
Contract work	\$ 0	\$ 104,667	\$ 53,676	\$ 66,670	\$ 156,920	\$ 381,933
Rentals	13,800	0	0	0	0	13,800
Intercompany transfers	0	48,167	3,535	29,805	39,180	120,687
Other	<u>2,040</u>	<u>38</u>	<u>0</u>	<u>967</u>	<u>1,022</u>	<u>4,067</u>
Total Revenues, Gains, and Other Support	15,840	152,872	57,211	97,442	197,122	520,487
Expenses						
Program Services	8,685	133,781	49,691	77,324	157,417	426,898
Management and general	5,536	2,686	5,969	9,741	9,724	33,656
Intercompany transfers	<u>4,033</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,033</u>
Total Expenses	<u>18,254</u>	<u>136,467</u>	<u>55,660</u>	<u>87,065</u>	<u>167,141</u>	<u>464,587</u>
INCREASE/(DECREASE) IN NET ASSETS	(2,414)	16,405	1,551	10,377	29,981	55,900
NET ASSETS/(DEFICIT), Beginning of year	<u>48,536</u>	<u>20,490</u>	<u>17,370</u>	<u>(35,877)</u>	<u>8,574</u>	<u>59,093</u>
NET ASSETS/(DEFICIT), End of year	<u>\$ 46,122</u>	<u>\$ 36,895</u>	<u>\$ 18,921</u>	<u>\$ (25,500)</u>	<u>\$ 38,555</u>	<u>\$ 114,993</u>

The notes to the financial statements are an integral part of this statement.

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
MANY, LOUISIANA
SHELTERED WORKSHOP
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 55,900
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities	
Depreciation	21,631
Bad debt expense	385
(Increase)/decrease in operating assets	
Receivables	
Trade	15,820
Other	(239)
Inventory	1,121
Increase/(decrease) in operating liabilities	
Accounts payable	
Trade	(4,253)
Compensation	8,412
Payroll taxes	39
Property taxes	160
Commissions payable	<u>(2,105)</u>
Net Cash Provided By/(Used In) Operating Activities	96,871
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of buildings	(5,603)
Purchase of equipment	<u>(29,512)</u>
Net Cash Provided By/(Used In) Investing Activities	(35,115)
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash paid on behalf of group homes and day programs	<u>(109,344)</u>
Net Cash Provided By/(Used In) Financing Activities	<u>(109,344)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(47,588)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>77,699</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 30,111</u>

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.

MANY, LOUISIANA

SHELTERED WORKSHOP

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2002

	PROGRAM SERVICES						Total
	Rental Building	Mobile Crew	Sabine Car Care	Production Center	Woodshop	Program Services	
COMPENSATION RELATED EXPENSES							
Payroll taxes	\$ 0	\$ 5,637	\$ 15,300	\$ 37,286	\$ 31,702	\$ 89,925	\$ 89,925
Salaries	0	73,686	1,170	3,145	2,425	80,426	80,426
Workman's compensation insurance	0	1,988	400	843	1,639	4,870	4,870
Total Compensation and Related Expenses	0	81,311	16,870	41,274	35,766	175,221	175,221
OCCUPANCY EXPENSES							
Depreciation	3,843	0	1,435	0	3,785	9,063	9,063
Insurance	0	0	0	0	0	3,934	3,934
Property taxes	0	0	0	0	0	4,503	4,503
Repairs and maintenance	1,527	0	671	0	306	2,504	2,504
Utilities	3,315	0	695	0	4,607	8,617	8,617
Total Occupancy Expenses	8,685	0	2,801	0	8,698	20,184	28,621
TRANSPORTATION EXPENSES							
Depreciation	0	1,925	0	110	47	2,082	2,082
Fuel and oil	0	5,930	0	623	311	6,864	6,864
Insurance	0	3,035	0	1,059	2,198	6,292	6,292
Repairs and maintenance	0	3,925	0	792	421	5,138	5,138
Total Transportation Expenses	0	14,815	0	2,584	2,977	20,376	20,376
OTHER EXPENSES							
Bad debt	0	365	20	0	0	385	385
Central office expense	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,032	\$ 11,032

The notes to the financial statements are an integral part of this statement.

SCHEDULE 12

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
MANY, LOUISIANA
SHELTERED WORKSHOP
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2002

	<u>PROGRAM SERVICES</u>							<u>Total</u>
	<u>Rental Building</u>	<u>Mobile Crew</u>	<u>Sabine Car Care</u>	<u>Sabine Production Center</u>	<u>Woodshop</u>	<u>Program Services</u>	<u>Management and General</u>	
OTHER EXPENSES (CONTINUED)								
Client recreation	\$ 0	\$ 0	\$ 0	\$ 1,522	\$ 0	\$ 0	\$ 1,522	\$ 1,522
Commissions	0	0	0	742	4,759	0	5,501	5,501
Contract services	0	0	154	0	3,955	0	4,109	4,109
Depreciation	0	6,031	462	68	3,925	0	10,486	10,486
Dues	0	0	0	0	167	0	167	167
Food	0	6,719	2,495	7,437	5,281	21,932	21,932	21,932
Insurance	0	0	0	0	0	0	5,201	5,201
License	0	0	98	0	0	98	0	98
Materials	0	0	0	23,063	87,669	110,732	0	110,732
Other	0	0	116	0	0	116	808	924
Professional fees	0	0	0	0	0	0	5,768	5,768
Repairs and maintenance	0	18,656	1,515	489	2,143	22,803	0	22,803
Supplies	0	5,884	25,160	145	2,077	33,266	966	34,232
Telephone	0	0	0	0	0	0	1,444	1,444
Total Other Expenses	0	37,655	30,020	33,466	109,976	211,117	25,219	236,336
Total Functional Expenses	\$ 0	\$ 133,781	\$ 49,691	\$ 77,324	\$ 157,417	\$ 426,898	\$ 33,656	\$ 460,554

The notes to the financial statements are an integral part of this statement.

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
MANY, LOUISIANA
SCHEDULE OF COMPENSATION TO BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 2002

<u>BOARD MEMBER</u>	<u>Meetings Attended</u>	<u>Compensation</u>
Pete Abington	11	\$ 0
Welton Anthony	4	0
Carla Garner	10	0
Katherine Green	10	0
Mary Hariel	11	0
Gene Hubley	11	0
Anna Lites	12	0
Gloria Ruffin	8	0
Marguerite Spears	12	\$ 0

HINES, JACKSON & HINES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 2188 • 133 EAST FIFTH STREET
NATCHITOCHES, LA 71457

Telephone (318) 352-6458
FAX (318) 352-0404
office@hjhcpa.biz

FRANK S. HINES, CPA
LEWIS C. HINES, CPA
E. MERLIN SQUYRES, CPA
JAY H. SHEFFIELD, CPA

A. NEILL JACKSON, JR., CPA
1926-1999

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
Sabine Association for Retarded Citizens, Inc.
Many, Louisiana 71449

We have audited the financial statements of the Sabine Association for Retarded Citizens, Inc., as of and for the year ended June 30, 2002, and have issued our report thereon dated December 16, 2002. 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 Sabine Association for Retarded Citizens' 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 the Sabine Association for Retarded Citizens' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Sabine Association for Retarded Citizens' management and the Legislative Auditor of the State of Louisiana and is not intended to be, and should not be, used by anyone other than the specified parties.

Hines, Jackson & Hines

Natchitoches, Louisiana
December 16, 2002

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
MANY, LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED
JUNE 30, 2002

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
-----------------	---	-------------------------------	---	--

Nothing came to our attention that would require disclosure under Government Auditing Standards.

SABINE ASSOCIATION FOR RETARDED CITIZENS, INC.
MANY, LOUISIANA
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED
JUNE 30, 2002

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Correct Action Planned</u>	<u>Name(s) of Contact Person(s)</u>	<u>Anticipated Completion Date</u>
-----------------	-----------------------------------	-------------------------------	---	--

Nothing came to our attention that would require disclosure under Government Auditing Standards.