ARC OF IBERIA FINANCIAL REPORT JUNE 30, 2000

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Release Date 11-22-00

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BROUSSARD, POCHE', LEWIS & BREAUX, L.L.P. 15000 PERIORE PREFERENCE ACCORDINATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors ARC of Iberia New Iberia, Louisiana

We have audited the accompanying statements of financial position of ARC of Iberia (a nonprofit organization) as of June 30, 2000 and 1999 and the related statements of activities and cash flows for the years 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 audits.

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We conducted our audits in accordance with generally accepted auditing standards and 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 An audit includes examining, on a test basis, misstatement. evidence supporting the amounts and disclosures in the financial An audit also includes assessing the accounting statements. 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 ARC of Iberia as of June 30, 2000 and 1999, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 15, 2000, on our consideration of ARC of Iberia'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 results of our audit.

Members of American Institute of Certified Public Accountants Society of Louisiana Certified Public Accountants

A Professional Accounting Corporation.

Broussard, Poche', Lewis + Brany, L.L.P.

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New Iberia, Louisiana September 15, 2000

STATEMENTS OF FINANCIAL POSITION June 30, 2000 and 1999

ASSETS	2000	1999
CURRENT ASSETS		
Cash	\$ 710,822	\$ 642,969
Investments	120,365	114,874
Receivables	21,481	28,688
Due from other agencies	307,160	264,338
Inventory	2,773	3,025
Prepaid expenses	12,592	10,196
Other current assets	4,542	
Total current assets	<u>\$1,179,735</u>	\$1,072,622
FIXED ASSETS		
Property and equipment, net	<u>\$1,299,961</u>	<u>\$1,124,029</u>

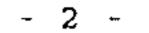
RESTRICTED CASH Respite building fund

<u>\$ 7,890</u> <u>\$ 6,267</u>

Total assets

<u>\$2.487.586</u> <u>\$2.202.918</u>

See Notes to Financial Statements.



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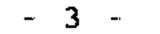
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LIABILITIES AND NET ASSETS	2000	1999
CURRENT LIABILITIES		
PAYABLE FROM CURRENT ASSETS		
Accounts payable	\$ 82,722	2 \$ 62,668
Accrued liabilities	95,754	88,221
Accrued compensated absences	51,639	37,307
Deferred revenue	11,195	5 -
Current maturities of long-term debt	57,403	6,186
Current portion of capital lease obligations	3,402	2 <u>5,539</u>
	\$ 302,115	5 \$ 199,921

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CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Current portion of long-term debt	4,372	<u> </u>
Total current liabilities	<u>\$ 306,487</u>	<u>\$ 201,492</u>
LONG-TERM LIABILITIES Long-term debt, less current maturities Capital lease obligations, less current portion	\$ 306,687	\$ 262,062 <u>3,402</u>
Total long-term liabilities	<u>\$ 306,687</u>	<u>\$ 265,464</u>
Total liabilities	<u>\$ 613,174</u>	<u>\$ 466,956</u>
NET ASSETS		
Unrestricted	\$1,775,171	\$1,617,678
Temporarily restricted	<u>99,241</u>	118,284
Total net assets	\$1.874.412	<u>\$1,735,962</u>
Total liabilities and net assets	<u>\$2.487.586</u>	<u>\$2.202.918</u>



STATEMENT OF ACTIVITIES Year Ended June 30, 2000

	Unrestricted	Temporarily <u>Restricted</u>	<u> </u>
REVENUES AND OTHER SUPPORT			
Contributions	\$ 29,842	\$ 45,868	\$75,710
Grant revenue	137,594	-	137,594
Program revenue	3,650,177	-	3,650,177
Interest revenue	12,810	-	12,810
Membership revenue	2,225	-	2,225
Miscellaneous revenue	29,459	-	29,459
Gain on sale of fixed assets	300	-	300
Net assets released from			
restrictions:			
Satisfaction of program			
restrictions	39,580	(39,580)	_
Expiration of time			
restrictions	25,331	(25,331)	<u> </u>
Total revenues and			
other support	<u>\$ 3,927,318</u>	<u>\$ (19,043</u>)	<u>\$ 3,908,275</u>
EXPENSES			
Program expenses:			
ARC Unlimited	\$ 1,263,830	\$-	\$ 1,263,830
Outreach Services	146	-	146
Independent Living	725,411	***	725,411
Residential Services	654,731	-	654,731
Respite Services	716,130	-	716,130
Bright Beginnings	89,629	-	89,629
General and administrative			
expenses	319,948		319,948
Total expenses	<u>\$ 3,769,825</u>	<u>\$</u> -Q-	<u>\$ 3,769,825</u>
Changes in net assets	\$ 157,493	\$ (19,043)	\$ 138,450
Net assets, beginning of year	1,617,678	118.284	1,735,962
Net assets, end of year	<u>\$ 1,775.171</u>	<u>\$ 99.241</u>	<u>\$ 1,874,412</u>

See Notes to Financial Statements.



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STATEMENT OF ACTIVITIES Year Ended June 30, 1999

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	Unrestricted	Temporarily <u>Restricted</u>	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 27,867	\$ 112,457	\$ 140,324
Grant revenue	4,996	-	4,996
Program revenue	3,532,860	-	3,532,860
Interest revenue	10,768	-	10,768
Membership revenue	1,995	-	1,995
Miscellaneous revenue	23,126	-	23,126
Net assets released from			
restrictions:			
Satisfaction of program			
restrictions	23,531	(23,531)	~
Expiration of time			
restrictions	20,445	(20,445)	<u></u>
Total revenues and			
other support	<u>\$ 3,645,588</u>	<u>\$ 68,481</u>	<u>\$ 3,714,069</u>
EXPENSES			
Program expenses:			
ARC Unlimited	\$ 1,160,098	\$-	\$ 1,160,098
Outreach Services	11,788	-	11,788
Independent Living	554,319	-	554,319
Residential Services	687,264	-	687,264
Respite Services	756,319	-	756,319
Bright Beginnings	13,117		13,117
General and administrative			
expenses	<u>285,858</u>	_ _	<u>285,858</u>
Total expenses	<u>\$ 3,468,763</u>	<u>\$</u>	<u>\$ 3,468,763</u>
Changes in net assets	\$ 176,825	\$ 68,481	\$ 245,306
Net assets, beginning of year	1,440,853	49,803	<u>1,490,656</u>
Net assets, end of year	<u>\$ 1.617.678</u>	<u>\$ 118,284</u>	<u>\$ 1.735.962</u>

See Notes to Financial Statements.

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STATEMENTS OF CASH FLOWS Years Ended June 30, 2000 and 1999

	 2000		1999
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 138,450	\$	245,306
Adjustments to reconcile change in net assets			
to net cash provided by operating activities:			
Depreciation	116,834		137,632
Gain on sale of fixed assets	(300)		~
Donated fixed assets	(18,857)		(53,109)
(Increase) decrease in receivables	7,207		2,176
(Increase) decrease in due from other agencies	(42,822)		35,905
Increase in inventories and prepaids	(2,144)		(5,545)
(Increase) decrease in other current assets	3,990		14,266
Increase (decrease) in accounts payable	20,054		(13,779)
Increase in accrued liabilities	7,533		1,790
Increase in accrued compensated absences	14,332		37,307
Increase in deferred revenue	 11,195	<u> </u>	<u>+</u>

Net cash provided by operating activities	<u>\$ 255,472</u>	<u>\$ 401,949</u>
CASH FLOWS FROM INVESTING ACTIVITIES Purchase of equipment Proceeds from sales of fixed assets Purchase of investments	\$ (274,123) 514 (5,491)	\$ (38,047) (4,914)
Net cash used in investing activities	<u>\$ (279,100</u>)	\$ (42,961)
CASH FLOWS FROM FINANCING ACTIVITIES Proceeds from issuance of debt Principal payments on long-term debt Principal payments on lease obligations Net cash provided by (used in) financing activities	\$ 165,194 (66,551) <u>(5,539</u>) <u>\$ 93,104</u>	\$ (26,080) <u>(5,112</u>) <u>\$ (31,192</u>)
Net increase in cash	\$ 69,476	\$ 327,796
Cash, beginning of year	<u> 649,236</u>	321,440
Cash, end of year	<u>\$ 718.712</u>	<u>\$ 649.236</u>

SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS

Donated fixed assets

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<u>\$ 18,857</u> <u>\$ 53,109</u>

See Notes to Financial Statements.

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NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization:

ARC of Iberia (the "Association") is a Louisiana nonprofit corporation chartered in August 1954. Its purpose is to promote the general welfare of mentally retarded, physically handicapped and incapacitated citizens in Iberia Parish and to aid their parents and families. The following is a description of the various programs.

Operating Fund

The operating fund is used to account for all general and administrative expenses of the Association.

ARC Unlimited

ARC Unlimited is a day program for citizens of the community with mental

retardation.

Residential Services

Residential Services provides three homes for adults with mental retardation.

Respite Services

Respite Services allows parents and guardians of those with mental retardation to leave them for short periods of time.

Outreach Services

Outreach Services is a program to provide prenatal education for young expecting mothers along with parenting skills with a long-term goal of child abuse prevention.

Independent Living

The Association supervises adults with mental retardation that live in their own home or apartment. These clients require considerably less care than clients living in the residential homes.

Bright Beginnings

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The Association is providing day care services for children of the community.



The accompanying financial statements of the Association have been prepared on the accrual basis of accounting.

Significant accounting policies:

Support and expenses:

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor 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 in the statement of activities as net assets released from restrictions.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Investments:

Investments which consists of certificates of deposits, are presented in the financial statements at cost which approximates fair market value.

Inventory:

Inventory is stated at the lower of cost or market, with cost determined by the first-in first-out method.

Allowance for doubtful accounts:

The Association considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Restricted cash:

The Association is required to put at least 10% of the monthly payment to FHA under loan provisions for the building acquired for the Respite Services program. These reserved amounts are reflected as restricted cash on the statements of financial position.

Property and equipment:

Purchased property and equipment is recorded at cost at the date of acquisition. Contributed property and equipment is recorded at fair value at the date of donation. In the absence of donor stipulations regarding how long the contributed assets must be used, the Association has adopted a policy of implying a time restriction on contributions of such assets that expires over the assets' useful lives. As a result, all contributions of property and equipment, and of assets contributed to acquire property and equipment, are recorded as restricted support.

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Depreciation is computed by the straight-line method at rates based on the following estimated useful lives:

	<u>_Years</u>
Furniture and equipment	5 - 25
Building and improvements	10 - 30
Transportation equipment	3 - 5

Compensated absences:

Employees of the Association earn annual leave per month depending on years of service at a minimum of twelve days per fiscal year. Annual leave is cumulative from one year to the next, up to a maximum of 240 hours. Upon resignation or termination of employment for cause, an employee may be paid for the value of any accrued leave up to a maximum of 240 hours.

Donated services:

The Association receives donated services from unpaid volunteers who assist in program services during the year; however, these donated services are not reflected in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

Federal income taxes:

The Association qualifies for an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

Cash and cash equivalents:

For the purposes of the statement of cash flows, the Association considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

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.

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NOTES TO FINANCIAL STATEMENTS

Note 2. Due From Other Agencies

Due from other agencies at June 30, 2000 and 1999 consisted of:

	2000	1999
Due from O.C.D.D.	\$ 37,665	\$ 30,556
Due from Welfare to Work	38,698	-
Due from Louisiana Rehabilitation Services	13,920	14,565
Due from Medicaid	188,207	194,307
Due from other facilities	28,670	24,910
	<u>\$ 307.160</u>	<u>\$ 264.338</u>

Note 3. Property and Equipment

Property and equipment at June 30, 2000 consisted of:

	Historical <u>Costs</u>	Donated <u>Value</u>	<u>Total</u>
Land	\$ 56,585	\$ 91,750	\$ 148,335
Buildings and improvements	1,282,141	25,000	1,307,141
Furniture and equipment	441,201	3,600	444,801
Vehicles	338,345	182,813	<u>521,158</u>
	\$2,118,272	\$ 303,163	\$ 2,421,435
Less accumulated depreciation	<u>(963,221</u>)	(158,253)	<u>(1,121,474</u>)
	<u>\$1,155,051</u>	<u>\$ 144,910</u>	<u>\$ 1.299,961</u>

Total depreciation expense for the year ended June 30, 2000 was \$116,834 of which \$24,727 was related to donated assets and \$2,085 was related to capital lease assets.

For the year ended June 30, 2000, the Association has capital lease assets of \$48,929, included in equipment and land, and related accumulated amortization of \$11,807, which is included in accumulated depreciation.

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Property and equipment at June 30, 1999 consisted of:

	Historical <u>Costs</u>	Donated <u>Value</u>	<u> Total </u>
Land Buildings and improvements Furniture and equipment Vehicles Livestock	\$56,585 1,110,719 383,344 320,887 850	\$ 91,750 25,000 3,600 163,956	\$ 148,335 1,135,719 386,944 484,843 850
Less accumulated depreciation	\$1,872,385 (899,136) \$ 973,249	\$ 284,306 (133,526) \$ 150,780	\$ 2,156,691 (1,032,662) \$ 1,124,029

Total depreciation expense for the year ended June 30, 1999 was \$137,632 of which \$18,478 was related to donated assets and \$2,085 was related to capital

lease assets.

For the year ended June 30, 1999, the Association has capital lease assets of \$48,929, included in equipment and land, and related accumulated amortization of \$9,721, which is included in accumulated depreciation.

Note 4. Long-Term Debt

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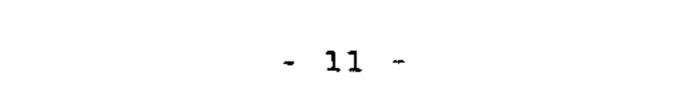
Long-term debt at June 30, 2000 and 1999 consisted of the following:

ARC Unlimited:	2000	· <u> </u>	1999
Mortgage note payable to bank, due in monthly installments of \$830, bearing interest at 5.62%, secured by collateral mortgage on Walton Street, maturing April 15, 2001.	\$-	\$	58,382

Residential Services:

Note payable to bank, due in monthly installments of \$388, bearing interest at 9.95%, collateralized by a security interest in a 1995 Chevrolet van, maturing July 13, 1999. -

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Note 4. Long-Term Debt (Continued)

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	2000	1999
Note payable to bank, due in monthly installments of \$388, bearing interest at 9.95%, collateralized by a security interest in a 1995 Chevrolet van, maturing July 13, 1999.	\$-	\$ 375
Note payable to bank, due in monthly installments of \$410, bearing interest at 9.95%, collateralized by a security interest in a 1996 Chevrolet van, maturing July 13, 1999.	-	399
Note payable to bank, due in monthly installments of \$543, bearing interest at 7.85%, collateralized by a security interest in a 2000 Ford van, maturing November 5, 2001.	8,686	_
espite Services:		
Mortgage note payable to FHA, due in monthly installments of \$1,028, bearing interest at 5.25%, secured by collateral mortgage on the Respite home, maturing April 11, 2025.	170,345	173,641
Mortgage note payable to FHA, due in monthly installments of \$215, bearing interest at 5.125%, secured by collateral mortgage on the Respite home, maturing April 11, 2025.	36,262	36,647
right Beginnings:		
Mortgage note payable to bank, due in monthly installments of \$920, bearing interest at 8.35%, secured by collateral mortgage on the Kramer home, maturing July 24, 2005	104,000	_
Line of credit with bank, bearing interest at 7.84%, maturing September 30, 2000.	49,169	
	\$ 368,462	\$ 269,819



Less current maturities

Long-term debt, less current maturities <u>\$ 306.687</u> <u>\$ 262.062</u>

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Aggregate maturities required on long-term debt, including interest of \$262,247 are as follows at June 30, 2000:

2001	\$ 80,722
2002	28,671
2003	25,956
2004	25,956
2005	25,956
2006-2010	129,780
2011-2015	129,780
2016-2020	114,933
2021-2025	<u>. 68,955</u>

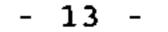
<u>\$ 630.709</u>

Cash paid for interest during the years ended June 30, 2000 and 1999 was \$17,627 and \$13,912, respectively.

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The Association has entered into a noncancellable lease agreement for the acquisition of property including building and improvements. The lease provides for monthly payments of \$500 through January 2001. This lease has been capitalized in accordance with Financial Accounting Standards Statement No. 13. The following is a schedule by years of the future minimum lease payments under the capital lease together with the value of the net minimum lease payments as of June 30:

		2000	1999	
2000	\$	-	\$	6,082
2001		3,500	-	3,500
Total minimum lease payments	\$	3,500	\$	9,582
Less amount representing interest		(98)		(641)
Present value of net minimum lease	~	2 4 6 2	<u>^</u>	0.041
payments	\$	3,402	\$	8,941
Less obligations under capital lease - current portion		(3,402)		(5,539)
Obligations under capital lease,				
long-term	<u>\$</u>	- 0 -	<u>s</u>	3,402



Note 6. Detail of Program Revenue

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Program revenue included the following for the years ended June 30, 2000 and 1999:

		Program						
				Indepen-	Residen-			
		ARC	Bright	dent	tial	Respite		
2000:	<u>Total</u> .	Unlimited	<u>Beginnings</u>	<u>Living</u>	<u>Services</u>	<u>Services</u>		
Medicaid	\$2,496,448	\$ 243,012	\$ -	\$ 725,806	\$ 784,778	\$ 742,852		
Office of Citizens								
with Developmental								
Disabilities	410,500	295,198	-	49,844	-	65,458		
Louisiana Rehab								
Services	118,922	118,922	-	-	~	-		
Foster & Adoptive								
Family Resource	450	-	-	-	-	450		
Sales	204,066	204,066		-	~	-		
Client billings	175,490	8,856	11,195	43,876	88,857	22,706		
Other residential								
facilities:								
Res-Care Health								
Services	244,301	244,301	<u>_</u>	<u>_</u>	<u> </u>	<u> </u>		
	<u>\$3.650.177</u>	<u>\$1,114,355</u>	<u>\$ 11,195</u>	<u>\$_819.526</u>	<u>\$ 873.635</u>	<u>\$ 831.466</u>		
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		ND()	Outwoodh	Indepen- dent	tial	Respite		
	m - • - 1	ARC	Outreach			-		
1999:	<u> </u>	<u>Unlimit(</u>	ed Services	<u>_Living</u>	<u>Services</u>	_Services		
Medicaid	\$2,230,19	5\$ 156,00	00\$ -	\$ 533,729	\$ 777,829	\$ 762,637		
Office of Citizens								
with Developmental								
Disabilities	444,09	7 319,80	54 -	49,298	-	74,935		
Louisiana Rehab								
Services	227,36	6 227,30	56 -	-	-	-		
Foster & Adoptive								
Family Resource	5,72	8		-	-	5,728		
Children's Trust								
Fund	10,00	0	- 10,000	-	-	-		
Sales	185,54	5 185,54	45 -	-	-	-		
Client billings	192,84	1 7,80	- 00	44,543	92,190	48,308		
Other residential								
facilities:								

facilities:

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Res-Care Health Services

<u>\$3.532.860 \$1.133.663 \$ 10.000 \$ 627.570 \$ 870.019 \$ 891.608</u>

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Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following periods or purposes as of June 30, 2000 and 1999:

	2000	1999
ARC Unlimited program:		
Remaining estimated useful lives		
of contributed property and equipment	\$ 59,194	\$ 65,667
Unexpended food bank contributions	40,047	48,053
Unexpended Bright Beginnings contributions		4,564
	<u>\$ 99.241</u>	<u>\$ 118.284</u>

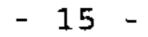
Note 8. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or the expiration of time for the year ended June 30:

	2000	1999
Purpose restrictions accomplished:		
ARC Unlimited program -		
Contributions	\$ 33,626	\$ 14,970
Respite Services program -		
Contributions	390	440
Bright Beginnings program -		
Contributions	<u> </u>	13,117
	\$ 39,580	\$ 28,527
Time restriction expired:		
ARC Unlimited program -		
Expired portion of estimated useful		
lives of contributed property and		
equipment	25.331	20,445
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Total restrictions released	<u>\$ 64.911</u>	<u>\$ 48.972</u>

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Note 9. Natural Classification of Expenses

Expenses were incurred for the following for the years ended June 30, 2000 and 1999:

				Programs	<u> </u>			Support
2000:	<u> Total </u>	ARC <u>Unlimited</u>	Outreach <u>Services</u>	dent	Residen- tial <u>Services</u>	Respite <u>Services</u>	Bright Beginnings	Manage-
Cost of sales Salaries, wage benefits and	з,	\$ 114,836	\$-	\$-	\$-	\$-	\$-	\$-
payroll taxe. Office and		709,552	39	659,722	350,687	623,422	41,454	223,662
occupancy Supplies and	458,774	173,458	10	37,666	126,605	44,825	13,736	62,474
travel Services and professional	166,715	62,039	-	4,750	72,657	10,016	14,554	2,699

fees Depreciation Repairs and	111,793 116,834	25,248 68,019	97 -	6,380 854	51,963 19,500	8,624 12,670	4,923 5,289	14,558 10,502
maintenance Interest		108,790 <u>1,888</u>	-	16,039	32,857 <u>462</u>	5,337 <u>11,236</u>	5,755 <u>3,918</u>	5,930

<u>\$3.769.825 \$1.263.830 \$ 146 \$725.411 \$654.731 \$716.130 \$ 89.629 \$319.948</u>

				<u>Programs</u>				Support
1999:	<u> </u>	ARC _Unlimited	Outreach Services	dent	tial	Respite Services	Bright Beginnings	Manage- ment and
Cost of sales Salaries, wages benefits and		\$ 108,118	\$-	\$-	\$-	\$-	\$-	\$-
payroll taxes Office and	3 2,390,079	661,207	7,612	500,167	371,040	650,903	3,228	195,922
occupancy Supplies and	432,060	164,910	620	29,619	129,259	49,985	3,173	54,494
travel Services and	137,666	37,011	2,337	6,150	74,261	12,487	2,263	3,157
professional								
fees Depreciation	111,424	25,577	1,020	4,416	46,282	16,268	1,750	16,111
Repairs and	137,632	70,886	-	612	40,581	12,183	2,703	10,667
maintenance Interest	137,546	87,879	199	13,355	25,012	5,594	-	5,507
	14.238	4,510			<u> </u>			



<u>\$3.468.763 \$1.160.098 \$ 11.788 \$554.319 \$687.264 \$756.319 \$ 13.117 \$285.858</u>

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Note 10. Fiduciary Funds

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Residential Services acts as a fiduciary agent for its residents. Additionally, there is one client of the Independent Living program for which the Association acts as a fiduciary agent. Checking accounts are maintained for each resident in the homes. Deposits include the resident's social security benefits, their payroll checks if employed and miscellaneous gifts from family members. Disbursements consist of day-to-day living expenses and are based on the individual resident's needs. The balance in these checking accounts at June 30, 2000 and 1999 was \$20,944 and \$27,222, respectively. These funds are not included in the balance sheet of the ARC of Iberia.

Note 11. Concentration of Credit Risk

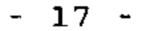
The Association maintains cash balances in excess of \$100,000 in banks, which are insured by the Federal Deposit Insurance Corporation up to \$100,000 for cash balances and \$100,000 for time deposits. At June 30, 2000, the Association's uninsured cash balances totaled \$334,627.

The Association also receives a considerable amount of its total support and revenues from Medicaid for payments of medical services provided to clients. During the years ended June 30, 2000 and 1999, the Association received \$2,496,448 and \$2,230,195, respectively, from Medicaid, which was 64% and 60%, respectively, of total revenues.

Note 12. Retirement Plan

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During 1998, the Association established a 401(k) retirement plan for all eligible employees. All full-time employees are eligible after one year of service. Eligible employees may elect to contribute up to 20% of their gross salary. The Association has chosen to make contributions to the Plan in an amount equal to 100% of the first 2% deferred by the employee. The amount contributed to the Plan for the years ended June 30, 2000 and 1999 was \$10,040 and \$10,017, respectively.



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BROUSSARD, POCHE', LEWIS & BREAUX, L.L.P.

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Church Point, LA

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 ARC of Iberia New Iberia, Louisiana

We have audited the financial statements of ARC of Iberia (a nonprofit organization) as of and for the year ended June 30, 2000, and have issued our report thereon dated September 15, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States.

(337) 684-2855

Eunice, LA (337) 457-0071

Eugene C. Gilder, CPA+ Donald W. Kefley, CPA+ Heibert Lemoine II, CPA+ Liank A. Stagno, CEA+ Scott J. Broussard, CPA+ L. Charles Abshire, CPA+ Kenneth R. Dugas, CPA* P. John Blanchet III, CEA+ Stephen L. Lambousy, CPA+ Craig C. Babineaux, CPA+ Peter C. Borrello, CPA+ George J. Trappey III, CPA+ Gregory B. Milton, CPA+ S. Scott Soileau, CPA+ Patrick D. McCarthy, CEA+ Martha B. Wyatt, CPA+ Troy J. Breaux, CPA+ Easetta T. Dupré, CEA+

Retired

. **.** .

Sidney L. Broussard, CPA* 1980
Leon K. Poché, CPA: 1984
James H. Breaux, CPA: 1987
Frina R. Walton, CPA: 1988
George A. Lewis, CPA* 1992
Geraldine J. Wimberly, CPA* 1995
Rodney L. Savoy, CPA* 1996
Latry G. Broussard, CPA* 1997
Lawrence A. Cramer, CPA* 1999
Michael P. Crochet, CPA* 1999

Compliance

As part of obtaining reasonable assurance about whether ARC of Iberia's financial statements are free of material misstatement, we performed test 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 <u>Government Auditing Standards</u>.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ARC of Iberia'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. 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 misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected

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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 operations that we consider to be material weaknesses.

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

Proussard, Poche', Lewis + Preame, L.L.P.

New Iberia, Louisiana September 15, 2000

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2000

We have audited the financial statements of ARC of Iberia as of and for the year ended June 30, 2000, and have issued our report thereon dated September 15, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2000 resulted in an unqualified opinion.

Section I - Summary of Auditors' Reports

Report on Internal Control and Compliance Material to the Financial Statements Α.

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Internal Control Material Weaknesses ____ Yes _X_ No Reportable Conditions ____ Yes _X_ None reported

Compliance

Compliance Material to Financial Statements _____ Yes _X_ No

Section II - Financial Statement Findings

No matters were reported.

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SCHEDULE OF PRIOR YEAR FINDINGS Year Ended June 30, 2000

Section I. Internal Control and Compliance Material to the Financial Statements

1999 Finding No. 99-1 Cash Disbursements

Recommendation: The procedures in place over cash disbursements need to be adhered to at all times to ensure adequate controls over the cash disbursement process.

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Current Status: The procedures in place are being adhered to.

Section II. Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III. Management Letter

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The prior year's report did not include a management letter.

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