

THE ARC OF GREATER NEW ORLEANS, INC.

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

YEARS ENDED JUNE 30, 2002 AND 2001

THE ARC OF GREATER NEW ORLEANS, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To the Board of Directors
The Arc of Greater New Orleans, Inc.

We have audited the accompanying statement of financial position of The Arc of Greater New Orleans, Inc. as of June 30, 2002 and 2001, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of The Arc of Greater New Orleans, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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 includes assessing the accounting policies 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 The Arc of Greater New Orleans, Inc. as of June 30, 2002 and 2001, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2002 on our consideration of The Arc of Greater New Orleans, 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 basic financial statements of The Arc of Greater New Orleans, Inc. taken as a whole. The accompanying schedules of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 "Audits of States, Local Governments and Non-Profit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bain, Freibaum, Sagona & Co., L.L.P.
Certified Public Accountants
September 17, 2002



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

To the Board of Directors
The Arc of Greater New Orleans, Inc.

We have audited the financial statements of The Arc of Greater New Orleans, Inc. as of and for the year ended June 30, 2002, and have issued our report thereon dated September 17, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 Greater New Orleans, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Arc of Greater New Orleans, Inc.'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 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 for the information of the Board of Directors, management and federal and state regulatory bodies. However, this report is a matter of public record and its distribution is not limited.

T. Eric Freibaum, Sagona & Co., L.L.P.

Certified Public Accountants
September 17, 2002

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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
The Arc of Greater New Orleans, Inc.

Compliance

We have audited the compliance of The Arc of Greater New Orleans, Inc. (a nonprofit organization) with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 2002. The Arc of Greater New Orleans, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The Arc of Greater New Orleans, Inc.'s management. Our responsibility is to express an opinion on The Arc of Greater New Orleans, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." *Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Arc of Greater New Orleans, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of The Arc of Greater New Orleans, Inc.'s compliance with those requirements.*

In our opinion, The Arc of Greater New Orleans, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of The Arc of Greater New Orleans, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The Arc of Greater New Orleans Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization and 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.

T. Stein, Freitbaum, Sazonov & Co., L.L.P.

Certified Public Accountants
September 17, 2002

THE ARC OF GREATER NEW ORLEANS, INC.

STATEMENTS OF FINANCIAL POSITION

YEARS ENDED JUNE 30, 2002 AND 2001

| | <u>2002</u> | <u>2001</u> |
|---------------------------------------|--------------------|--------------------|
| ASSETS: | | |
| CURRENT ASSETS: | | |
| Cash | \$ 121,874 | \$ 552,973 |
| Accounts receivable | | |
| Grants and contracts | 317,438 | 246,255 |
| Trade | 980,931 | 656,624 |
| Unconditional promises to give | 200,587 | 214,594 |
| Prepaid expenses | 20,576 | 24,390 |
| Deposits | <u>8,557</u> | <u>9,648</u> |
| TOTAL CURRENT ASSETS | 1,649,963 | 1,704,484 |
| PROPERTY AND EQUIPMENT, net | <u>663,851</u> | <u>395,112</u> |
| TOTAL ASSETS | <u>\$2,313,814</u> | <u>\$2,099,596</u> |
| LIABILITIES AND NET ASSETS: | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and accrued expenses | \$ 247,867 | \$ 213,470 |
| Current portion of long-term debt | 57,508 | 26,079 |
| Line of credit | <u>22,000</u> | <u>-</u> |
| TOTAL CURRENT LIABILITIES | 327,375 | 239,549 |
| LONG-TERM DEBT, less current portion | 40,506 | 44,932 |
| COMMITMENTS | <u>-</u> | <u>-</u> |
| TOTAL LIABILITIES | 367,881 | 284,481 |
| NET ASSETS | | |
| Unrestricted | 1,745,346 | 1,582,092 |
| Temporarily restricted | <u>200,587</u> | <u>233,023</u> |
| TOTAL NET ASSETS | <u>1,945,933</u> | <u>1,815,115</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$2,313,814</u> | <u>\$2,099,596</u> |

See notes to financial statements.

THE ARC OF GREATER NEW ORLEANS, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2002 AND 2001

| | 2002 | | | |
|---------------------------------------|--------------------|---------------------------|--------------------|--------------------|
| | Unrestricted | Temporarily Restricted | Total | 2001 |
| SUPPORT AND REVENUE: | | | | |
| Support: | | | | |
| Grants and contracts | \$2,363,678 | \$ - | \$2,363,678 | \$2,054,116 |
| Other: | | | | |
| United Way Allocations | - | 200,587 | 200,587 | 184,554 |
| United Way Designations | 22,842 | - | 22,842 | 20,025 |
| CFC Designations | 6,459 | - | 6,459 | 6,936 |
| Contributions | 305,804 | - | 305,804 | 286,999 |
| Total Support | <u>2,698,783</u> | <u>200,587</u> | <u>2,899,370</u> | <u>2,552,630</u> |
| Revenue: | | | | |
| Client fees | 1,952,901 | - | 1,952,901 | 1,836,762 |
| Medicaid | 3,551,793 | - | 3,551,793 | 3,158,626 |
| Group home | 503,806 | - | 503,806 | 405,235 |
| Interest income | 7,651 | - | 7,651 | 28,360 |
| Other income | 154,477 | - | 154,477 | 143,928 |
| Total Revenue | <u>6,170,628</u> | <u>-</u> | <u>6,170,628</u> | <u>5,572,911</u> |
| NET ASSETS RELEASED FROM RESTRICTIONS | <u>233,023</u> | <u>(233,023)</u> | <u>-</u> | <u>-</u> |
| TOTAL SUPPORT AND REVENUE | <u>9,102,434</u> | <u>(32,436)</u> | <u>9,069,998</u> | <u>8,125,541</u> |
| EXPENSES: | | | | |
| Program services: | | | | |
| Children's services | 1,170,048 | - | 1,170,048 | 1,171,336 |
| Employment services | 291,910 | - | 291,910 | 242,654 |
| Individual options | 812,977 | - | 812,977 | 876,853 |
| Project H.E.L.P. | 2,895,329 | - | 2,895,329 | 2,518,686 |
| Operations department | 2,815,816 | - | 2,815,816 | 2,239,235 |
| Other programs | 347,021 | - | 347,021 | 293,323 |
| Supporting services: | | | | |
| Management and general | 554,897 | - | 554,897 | 491,689 |
| Fund-raising | 35,201 | - | 35,201 | 153 |
| Payments to affiliates | 15,981 | - | 15,981 | 12,215 |
| TOTAL EXPENSES | <u>8,939,180</u> | <u>-</u> | <u>8,939,180</u> | <u>7,846,144</u> |
| INCREASE IN NET ASSETS | 163,254 | (32,436) | 130,818 | 279,397 |
| NET ASSETS AT BEGINNING OF YEAR | <u>1,582,092</u> | <u>233,023</u> | <u>1,815,115</u> | <u>1,535,718</u> |
| NET ASSETS AT END OF YEAR | <u>\$1,745,346</u> | <u>\$ 200,587</u> | <u>\$1,945,933</u> | <u>\$1,815,115</u> |

See notes to financial statements.

THE ARC OF GREATER NEW ORLEANS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2002

| | PROGRAM SERVICES | | | | | | TOTAL PROGRAM & SUPPORTING SERVICES | | |
|-------------------------------------|------------------------|------------------------|-----------------------|---------------------|--------------------------|-------------------|--|-------------------------|-----------------|
| | CHILDREN'S SERVICES | EMPLOYMENT SERVICES | INDIVIDUAL OPTIONS | PROJECT H.E.L.P. | OPERATIONS DEPARTMENT | OTHER PROGRAMS | | MANAGEMENT & GENERAL | FUND RAISING |
| Salaries | 718,877 | 231,259 | 516,959 | 2,458,252 | 1,485,926 | 182,711 | 329,263 | - | 5,923,247 |
| Employee benefits | 44,554 | 7,979 | 36,382 | 29,546 | 41,808 | 8,348 | 21,581 | - | 190,198 |
| Payroll taxes | 61,088 | 20,776 | 46,462 | 214,006 | 184,052 | 13,429 | 32,214 | - | 572,027 |
| Total Salaries and Benefits | 824,519 | 260,014 | 599,803 | 2,701,804 | 1,711,786 | 204,488 | 383,058 | - | 6,685,472 |
| Professional fees | 149,354 | 722 | 1,394 | 5,195 | 335,053 | 3,123 | 8,302 | - | 503,143 |
| Supplies | 63,068 | 1,202 | 5,952 | 14,624 | 220,378 | 105,225 | 18,825 | 854 | 430,228 |
| Telephonic | 3,865 | 1,607 | 7,305 | 5,355 | 13,729 | 2,546 | 5,675 | - | 40,082 |
| Postage | 1,281 | 377 | 1,095 | 3,954 | 4,662 | 397 | 954 | - | 12,720 |
| Occupancy | 90,355 | 6,860 | 80,032 | 35,735 | 213,763 | 7,331 | 35,014 | 6,892 | 475,982 |
| Repairs and maintenance | 15,348 | 3,370 | 25,091 | 18,194 | 109,642 | 7,764 | 7,797 | - | 187,206 |
| Local transportation | 7,703 | 5,392 | 56,764 | 81,914 | 126,601 | 11,457 | 8,550 | - | 298,381 |
| Travel, conferences and meetings | 4,950 | 2,108 | 3,410 | 15,345 | 6,392 | 3,241 | 7,109 | - | 42,555 |
| Printing and publications | 633 | 75 | 106 | 2,538 | 866 | 1,292 | 2,060 | 806 | 8,376 |
| Membership dues | 17 | 25 | - | 150 | - | - | 3,983 | - | 4,175 |
| Other expenses | 2,851 | 218 | 4,362 | 4,684 | 55,002 | 82 | 12,808 | 26,649 | 106,656 |
| Payments to affiliates | - | - | - | - | - | - | 15,981 | - | 15,981 |
| Public relations | - | - | - | - | - | - | 56,415 | - | 56,415 |
| Depreciation | 6,104 | 9,840 | 27,663 | 5,837 | 17,942 | 75 | 4,347 | - | 71,808 |
| Total Expenses | 1,170,048 | 291,910 | 812,977 | 2,895,329 | 2,815,816 | 347,021 | 570,878 | 35,201 | 8,939,180 |

See notes to financial statements.

(Continued)

THE ARC OF GREATER NEW ORLEANS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2002

| | PROGRAM SERVICES | | | | | | TOTAL PROGRAM & SUPPORTING SERVICES | | |
|-------------------------------------|------------------------|------------------------|-----------------------|---------------------|--------------------------|-------------------|--|-------------------------|-----------------|
| | CHILDREN'S SERVICES | EMPLOYMENT SERVICES | INDIVIDUAL OPTIONS | PROJECT H.E.L.P. | OPERATIONS DEPARTMENT | OTHER PROGRAMS | | MANAGEMENT & GENERAL | FUND RAISING |
| Salaries | 718,877 | 231,259 | 516,959 | 2,458,252 | 1,485,926 | 182,711 | 329,263 | - | 5,923,247 |
| Employee benefits | 44,554 | 7,979 | 36,382 | 29,546 | 41,808 | 8,348 | 21,581 | - | 190,198 |
| Payroll taxes | 61,088 | 20,776 | 46,462 | 214,006 | 184,052 | 13,429 | 32,214 | - | 572,027 |
| Total Salaries and Benefits | 824,519 | 260,014 | 599,803 | 2,701,804 | 1,711,786 | 204,488 | 383,058 | - | 6,685,472 |
| Professional fees | 149,354 | 722 | 1,394 | 5,195 | 335,053 | 3,123 | 8,302 | - | 503,143 |
| Supplies | 63,068 | 1,302 | 5,952 | 14,624 | 220,378 | 105,225 | 18,825 | 854 | 430,228 |
| Telephone | 3,865 | 1,607 | 7,305 | 5,355 | 13,729 | 2,546 | 5,675 | - | 40,082 |
| Postage | 1,281 | 377 | 1,095 | 3,954 | 4,662 | 397 | 954 | - | 12,720 |
| Occupancy | 90,355 | 6,860 | 80,032 | 35,735 | 213,763 | 7,331 | 35,014 | 6,892 | 475,982 |
| Repairs and maintenance | 15,348 | 3,370 | 25,091 | 18,194 | 109,642 | 7,764 | 7,797 | - | 187,206 |
| Local transportation | 7,703 | 5,392 | 56,764 | 81,914 | 126,601 | 11,457 | 8,550 | - | 298,381 |
| Travel, conferences and meetings | 4,950 | 2,108 | 3,410 | 15,345 | 6,392 | 3,241 | 7,109 | - | 42,555 |
| Printing and publications | 633 | 75 | 106 | 2,538 | 866 | 1,292 | 2,060 | 806 | 8,376 |
| Membership dues | 17 | 25 | - | 150 | - | - | 3,983 | - | 4,175 |
| Other expenses | 2,851 | 218 | 4,362 | 4,684 | 55,002 | 82 | 12,808 | 26,649 | 106,656 |
| Payments to affiliates | - | - | - | - | - | - | 15,981 | - | 15,981 |
| Public relations | - | - | - | - | - | - | 56,415 | - | 56,415 |
| Depreciation | 6,104 | 9,840 | 27,663 | 5,837 | 17,942 | 75 | 4,347 | - | 71,808 |
| Total Expenses | 1,170,048 | 291,910 | 812,977 | 2,895,329 | 2,815,816 | 347,021 | 570,878 | 35,201 | 8,939,180 |

See notes to financial statements.

(Continued)

THE ARC OF GREATER NEW ORLEANS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2001
(Continued)

| | PROGRAM SERVICES | | | | | | TOTAL PROGRAM & SUPPORTING SERVICES | | |
|-------------------------------------|------------------------|------------------------|-----------------------|---------------------|--------------------------|-------------------|--|-------------------------|-----------------|
| | CHILDREN'S SERVICES | EMPLOYMENT SERVICES | INDIVIDUAL OPTIONS | PROJECT H.E.L.P. | OPERATIONS DEPARTMENT | OTHER PROGRAMS | | MANAGEMENT & GENERAL | FUND RAISING |
| Salaries | 719,535 | 181,218 | 551,807 | 2,160,353 | 1,235,192 | 170,505 | 304,420 | - | 5,323,030 |
| Employee benefits | 38,386 | 7,898 | 33,620 | 24,934 | 28,375 | 8,532 | 20,009 | - | 161,754 |
| Payroll taxes | 61,935 | 15,872 | 57,219 | 189,371 | 130,881 | 12,644 | 27,947 | - | 495,869 |
| Total Salaries and Benefits | 819,856 | 204,988 | 642,646 | 2,374,658 | 1,394,448 | 191,681 | 352,376 | - | 5,980,653 |
| Professional fees | 140,140 | 588 | 1,555 | 3,660 | 296,439 | 1,871 | 1,137 | - | 445,390 |
| Supplies | 61,875 | 2,652 | 35,377 | 9,409 | 154,181 | 69,358 | 9,582 | - | 342,434 |
| Telephone | 4,663 | 1,197 | 6,569 | 3,904 | 12,017 | 2,933 | 5,457 | - | 36,740 |
| Postage | 1,248 | 376 | 813 | 4,401 | 4,705 | 384 | 278 | - | 12,205 |
| Occupancy | 100,240 | 8,152 | 81,145 | 25,400 | 120,760 | 7,550 | 33,506 | - | 376,753 |
| Repairs and maintenance | 19,685 | 3,970 | 20,785 | 12,719 | 68,677 | 6,818 | 11,139 | - | 143,793 |
| Local transportation | 7,098 | 5,338 | 54,919 | 61,800 | 94,291 | 10,162 | 7,111 | - | 240,719 |
| Travel, conferences and meetings | 4,074 | 2,553 | 5,680 | 7,323 | 3,520 | 1,288 | 20,415 | - | 44,853 |
| Printing and publications | 2,139 | 382 | 729 | 6,266 | 3,015 | 897 | 1,168 | - | 14,596 |
| Membership dues | 17 | 247 | - | 25 | 25 | - | 4,593 | - | 4,907 |
| Other expenses | 3,460 | 236 | 5,418 | 2,890 | 78,843 | 306 | 5,056 | 153 | 96,362 |
| Payments to affiliates | - | - | - | - | - | - | 12,215 | - | 12,215 |
| Public relations | - | - | - | - | - | - | 35,156 | - | 35,156 |
| Depreciation | 6,841 | 11,975 | 21,217 | 6,231 | 8,314 | 75 | 4,715 | - | 59,368 |
| Total Expenses | 1,171,336 | 242,654 | 876,853 | 2,518,686 | 2,239,235 | 293,323 | 503,904 | 153 | 7,846,144 |

See notes to financial statements.

THE ARC OF GREATER NEW ORLEANS, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2002 AND 2001

| | <u>2002</u> | <u>2001</u> |
|---|-----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase in net assets | \$ 130,818 | \$279,397 |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Depreciation | 71,810 | 59,369 |
| Loss on disposal of fixed assets | 2,697 | 27,309 |
| Contribution of property and equipment | (232,540) | (9,300) |
| (Increase) decrease in operating assets: | | |
| Accounts receivable | (381,483) | (42,710) |
| Prepaid expenses | 3,814 | (8,997) |
| Deposits | 1,091 | (6,049) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | <u>34,397</u> | <u>(41,558)</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>(369,396)</u> | <u>257,461</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for property and equipment | (114,781) | (46,877) |
| Proceeds from disposal of property and equipment | <u>4,075</u> | <u>1,400</u> |
| NET CASH (USED) BY INVESTING ACTIVITIES | <u>(110,706)</u> | <u>(45,477)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds of long-term debt | 54,821 | - |
| Payments on long-term debt | (27,818) | (23,193) |
| Net advances on line of credit | <u>22,000</u> | <u>-</u> |
| NET CASH (USED) BY FINANCING ACTIVITIES | <u>49,003</u> | <u>(23,193)</u> |
| NET INCREASE (DECREASE) IN CASH | (431,099) | 188,791 |
| BEGINNING CASH | <u>552,973</u> | <u>364,182</u> |
| ENDING CASH | <u>\$ 121,874</u> | <u>\$552,973</u> |
| SUPPLEMENTAL DISCLOSURES: | | |
| Interest paid | \$ <u>5,179</u> | \$ <u>7,131</u> |

See notes to financial statements.

THE ARC OF GREATER NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2002 AND 2001

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Arc of Greater New Orleans, Inc., is a nonprofit organization committed to securing for all people with mental retardation the opportunity to develop, function, and live to their fullest potential. Current services include: Children's Services (Early Intervention, Child Care, and Family Service Coordination), Employment Services (Rehabilitation Services), Individual Options (formerly Transitional Work Center), Operations Department (Affirmative Businesses), and Project H.E.L.P. (Respite/Personal Care and Supported Living). All services are provided throughout the four-parish area (Orleans, Jefferson, Plaquemines, and St. Bernard).

Basis of Accounting - The Arc of Greater New Orleans, Inc., prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements for 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.

Use of Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Accounts Receivable - All receivables at June 30, 2002 and 2001 are considered collectible, accordingly, an allowance for doubtful accounts is not presented.

Promises to give - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All contributions are considered to be available for unrestricted use unless specifically restricted by donors. Contributions that are restricted by the donor are reported as increases of unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Property and Equipment - Property and equipment are stated at cost or, if donated, at the fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The useful lives of buildings and improvements range from 10 to 31 years; and those of equipment range from 3 to 10 years.

Cash and cash equivalents - For the purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

(Continued)

THE ARC OF GREATER NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2002 AND 2001

(Continued)

B. CASH - CONCENTRATION OF RISK

Financial instruments that potentially subject the Organization to risk include cash on deposit with financial institutions. These balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2002 and 2001, the Organization's uninsured cash balances totaled \$28,884 and \$29,325, respectively. To provide additional protection against financial loss the Organization has their daily balance in excess of \$55,000 placed into a nightly high-grade bond purchase fund. This nightly fund provides protection against financial institution closure by allowing invested funds to be available to the Organization immediately in response to a closure.

C. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | <u>2002</u> | <u>2001</u> |
|-------------------------------|-------------------|-------------------|
| Buildings and improvements | \$ 973,776 | \$ 821,277 |
| Furniture and equipment | 268,043 | 267,112 |
| Automotive equipment | 537,846 | 359,268 |
| Land | <u>20,000</u> | <u>20,000</u> |
| | 1,799,665 | 1,467,657 |
| Less accumulated depreciation | <u>1,135,814</u> | <u>1,072,545</u> |
| | <u>\$ 663,851</u> | <u>\$ 395,112</u> |

Depreciation expense was \$71,810 and \$59,369 for 2002 and 2001, respectively. At June 30, 2002 the above included \$748,740 of assets that were fully depreciated.

D. INCOME TAXES

The Organization is exempt from income taxes under Section 501 (c) (3) of the U.S. Internal Revenue Code. Accordingly, income taxes are not presented in these financial statements.

(Continued)

THE ARC OF GREATER NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2002 AND 2001

(Continued)

E. NOTES PAYABLE

The Organization's obligation under notes payable consists of the following:

| | <u>2002</u> | <u>2001</u> |
|---|-----------------|-----------------|
| 8.9% note payable, due in monthly installments of \$964, including interest, secured by a Deed of Trust on the land and building and maturing November 2006. | \$41,452 | \$49,397 |
| 7.25% note payable, due in monthly installments of \$963, including interest, secured by two 1997 vans and maturing July 2002. | 841 | 11,997 |
| 7.9% note payable, due in monthly installments of \$600, including interest, secured by 1998 E350 Club Wagon and maturing November 2002. | 2,867 | 9,617 |
| 7.8% note payable, due on demand, if no demand is made due in monthly installments of \$1,336, including interest, secured by two 2001 vans and one 2000 van and maturing April 2006. | <u>52,854</u> | <u>-</u> |
| | <u>\$98,014</u> | <u>\$71,011</u> |

Principal installments for the next five years are as follows:

| Year ending June 30, | |
|-------------------------|-----------------|
| <u>2003</u> | \$57,508 |
| 2004 | 13,346 |
| 2005 | 15,678 |
| 2006 | 11,482 |
| 2007 | - |
| Thereafter | <u>-</u> |
| | <u>\$98,014</u> |

F. LINE OF CREDIT

The Organization has available a line of credit with a bank for \$300,000. The unpaid principal balance shall bear interest at the "Wall Street Journal Prime Rate". Interest payments are due monthly. Any outstanding principal is due on demand or June 6, 2003. At June 30, 2002, the Organization had drawn \$22,000 on the line of credit.

(Continued)

THE ARC OF GREATER NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2002 AND 2001

(Continued)

G. PENSION PLAN

Effective July 1, 1999, the Organization adopted a 401(k) pension plan that covers most of its employees. The Organization matches fifty percent of employee salary reduction contributions up to six percent of compensation. These matching contributions amounted to \$44,098 and \$41,318 in 2002 and 2001, respectively.

H. RENT-FREE USE OF FACILITIES

During 2001 and 2002, the Organization was furnished free use of facilities at three locations. The aggregate fair market value of the use of these facilities is approximately \$15,800 per month. These amounts are recorded as contributions in Revenue and Support and also in Occupancy expenses. The fair market value of the rent-free use of facilities amounted to \$189,995 for 2002 and 2001. The commitments for the use of these facilities expire at various times from 2005 through 2018.

I. MAJOR CUSTOMERS

For the year ended June 30, 2002, the Organization earned 39% of its support and revenue from Medicaid reimbursement arrangements and 12% of its support and revenue from a contract with the State of Louisiana. At June 30, 2002, accounts receivable included \$831,782 from these two sources.

For the year ended June 30, 2001, the Organization earned 39% of its support and revenue from Medicaid reimbursement arrangements and 13% of its support and revenue from a contract with the State of Louisiana. At June 30, 2001, accounts receivable included \$515,651 from these two sources.

I. RESTRICTIONS ON ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

| | <u>2002</u> | <u>2001</u> |
|---------------------------------|------------------|------------------|
| The Vintage Garden – COPE grant | \$ - | \$ 18,429 |
| Unconditional promises to give | <u>200,587</u> | <u>214,594</u> |
| | <u>\$200,587</u> | <u>\$233,023</u> |

SUPPLEMENTAL INFORMATION

THE ARC OF GREATER NEW ORLEANS, INC.

SCHEDULE OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2002

| <u>Federal Grantor/Pass-through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-through Grantor's Number</u> | <u>Grant Number</u> | <u>Federal Expenditures</u> |
|---|------------------------------------|--|-------------------------|---------------------------------|
| <u>U.S. Department of Education</u> | | | | |
| State Department of Education: | | | | |
| Infants/Families with Disabilities - FSC | 84.181A | | 01-C4-TD-C | \$ 53,641 |
| Infants/Families with Disabilities - DS | 84.181A | | 02-C3-TD-C | 225,277 |
| Infants/Families with Disabilities - DS | 84.181A | | 01-H3-TD-C | 91,396 |
| Infants/Families with Disabilities - FSC | 84.181A | | 02-C4-TD-C | <u>167,492</u> |
| Total Federal Grants | | | | <u>\$537,806</u> |

THE ARC OF GREATER NEW ORLEANS, INC.

SCHEDULE OF STATE AND LOCAL AWARDS

YEAR ENDED JUNE 30, 2002

| <u>State Programs</u> | <u>Pass-through Grantor's Number</u> | <u>Grant Number</u> | <u>State Expenditures</u> |
|--|--|-------------------------|-------------------------------|
| State Department of Health and Hospitals/Office of Mental Retardation/Developmental Disabilities | | | |
| Vocational/Habilitative Services | 572641 | | \$ 625,612 |
| Early Intervention | 574759 | | 257,423 |
| Respite Care Services | 572627 | | 105,000 |
| Crisis Intervention | 574726 | | <u>142,178</u> |
| | | | <u>\$1,130,213</u> |
| Jefferson Parish Human Services Authority/ Division of Mental Retardation and Developmental Disabilities | | | |
| Early Intervention | 381 | | \$ 201,203 |
| Professional Services | 383 | | 14,100 |
| Vocational and Habilitative Services | 234 | | 111,887 |
| Vocational and Habilitative Services | 427 | | 250,000 |
| Respite Care | 279 | | 25,581 |
| Supported Living | 280 | | <u>2,365</u> |
| | | | <u>605,136</u> |
| Total State and Local Awards | | | <u>\$1,735,349</u> |

THE ARC OF GREATER NEW ORLEANS, INC.

SCHEDULE OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2001

| <u>Federal Grantor/Pass-through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-through Grantor's Number</u> | <u>Grant Number</u> | <u>Federal Expenditures</u> |
|---|------------------------------------|--|-------------------------|---------------------------------|
| <u>U.S. Department of Education</u> | | | | |
| State Department of Education: | | | | |
| Infants/Families with Disabilities - FSC | 84.181A | | 00-H4-TD-C | \$ 53,317 |
| Infants/Families with Disabilities - DS | 84.181A | | 00-H3-TD-C | 108,345 |
| Infants/Families with Disabilities - DS | 84.181A | | 01-H3-TD-C | 208,361 |
| Infants/Families with Disabilities - FSC | 84.181A | | 01-H4-TD-C | <u>167,816</u> |
| Total Federal Grants | | | | <u>\$537,839</u> |

THE ARC OF GREATER NEW ORLEANS, INC.

SCHEDULE OF STATE AND LOCAL AWARDS

YEAR ENDED JUNE 30, 2001

| <u>State Programs</u> | <u>Pass-through Grantor's Number</u> | <u>Grant Number</u> | <u>State Expenditures</u> |
|--|--|-------------------------|-------------------------------|
| State Department of Health and Hospitals/Office of Mental Retardation/Developmental Disabilities | | | |
| Vocational/Habilitative Services | 559680 | | \$ 616,964 |
| Early Intervention | 557874 | | 257,423 |
| Respite Care Services | 558454 | | 89,815 |
| Family Support/Personal Care Attendant Services | 558037 | | 56,863 |
| Family Support/Personal Care Attendant Services | 558038 | | <u>56,102</u> |
| | | | <u>\$1,077,167</u> |
| Jefferson Parish Human Services Authority/ Division of Mental Retardation and Developmental Disabilities | | | |
| Infant Habilitation | 153 | | \$ 191,740 |
| Employment/Vocational Services | 155 | | 134,998 |
| Respite Care | 109 | | 14,454 |
| Family Support | 257 | | 19,677 |
| Supported Living | 349 | | <u>779</u> |
| | | | <u>361,648</u> |
| Total State and Local Awards | | | <u>\$1,438,815</u> |

THE ARC OF GREATER NEW ORLEANS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2002

Section I – Summary of Auditor’s Results:

Financial Statements

| | |
|--|---------------|
| Type of auditor’s report issued | Unqualified |
| Internal control over financial reporting: | |
| Material weakness(es) identified | No |
| Reportable condition(s) identified that are not considered to be material weakness(es) | None reported |
| Noncompliance material to financial statements noted | No |

Federal Awards

| | |
|---|---------------|
| Internal control over major programs: | |
| Material weakness(es) identified | No |
| Reportable condition(s) identified that are not considered to be material weakness(es) | None reported |
| Type of auditor’s report issued on compliance for major programs: | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 | No |

Identification of major programs:

| | |
|-----------------------|---|
| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
| 84,181 A | Infants/Families with Disabilities |

| | |
|--|-----------|
| Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| Auditee qualified as low-risk auditee? | No |

Section II – Financial Statement Findings: None reported

Section III - Federal Award Findings and Questioned Costs: None reported

Section IV – Prior Audit Findings: None reported