

TARC, INC.
(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

TARC, INC.

TABLE OF CONTENTS

JUNE 30, 2013 AND 2012

	<u>Page #</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-18
GOVERNMENT AUDITING STANDARDS COMPLIANCE REPORTS	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19-20
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	
Schedule 1 – Summary of Audit Results	21
Schedule 2 – Reportable Conditions – Financial Statements – Current Year	22
Schedule 3 – Summary of Prior Year's Audit Findings	23



BERNARD & FRANKS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

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

NICHOLAS F. CHETTA, C.P.A.

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

JAMES L. WHITE, C.P.A.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying statements TARC, Inc. (a nonprofit organization), which comprises the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

4141 VETERANS BLVD., SUITE 313, METAIRIE, LA 70002

PHONE: (504) 885-0170

FAX: (504) 456-9531

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TARC, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2013, on our consideration of TARC, Inc's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TARC, Inc's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Bernard A. Frank".

Metairie, Louisiana
October 8, 2013

TARC, INC.

**STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

ASSETS	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 140,058	\$ 59,063
Accounts receivable	133,854	158,680
Unconditional promises to give	23,954	23,500
Prepaid expenses	21,613	312
Total current assets	<u>\$ 319,479</u>	<u>\$ 241,555</u>
 LONG-TERM ASSETS		
Investments	<u>\$ 75,928</u>	<u>\$ 101,268</u>
 LAND, PROPERTY AND EQUIPMENT	<u>\$ 630,106</u>	<u>\$ 630,106</u>
Less accumulated depreciation	(389,900)	(349,742)
	<u>\$ 240,206</u>	<u>\$ 280,364</u>
 OTHER ASSETS		
Lease value of land and building	<u>\$ 350,000</u>	<u>\$ 350,000</u>
 Total assets	<u><u>\$ 985,613</u></u>	<u><u>\$ 973,187</u></u>

	<u>2013</u>	<u>2012</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 24,156	\$ 36,615
Other payables	15,804	12,990
Accrued salaries and payroll taxes	94,367	83,628
Line of credit	1,934	46,057
Current maturities of note payable	4,776	5,217
Total current liabilities	<u>\$ 141,037</u>	<u>\$ 184,507</u>
LONG TERM LIABILITIES		
Note payable	<u>\$ 156,579</u>	<u>\$ 161,643</u>
Total liabilities	<u>\$ 297,616</u>	<u>\$ 346,150</u>
NET ASSETS		
Unrestricted	\$ 293,580	\$ 231,606
Temporarily restricted	394,417	395,431
Total net assets	<u>\$ 687,997</u>	<u>\$ 627,037</u>
Total liabilities and net assets	<u><u>\$ 985,613</u></u>	<u><u>\$ 973,187</u></u>

See Notes to Financial Statements.

TARC, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT			
Revenues and gains			
Contributions	\$ 39,278	\$ -	\$ 39,278
United Way	4,643	23,954	28,597
In kind contributions	51,200	-	51,200
State contracts	1,966,208	-	1,966,208
Fund raising	308,239	-	308,239
Memberships	275	-	275
Interest	3,280	-	3,280
Other income	8,335	(1,468)	6,867
Net assets released from restrictions			
Expiration of time restriction-United Way Services	23,500	(23,500)	-
	\$ 2,404,958	\$ (1,014)	\$ 2,403,944
EXPENSES			
Program Services			
Community support services	\$ 1,858,124	\$ -	\$ 1,858,124
Durable medical equipment	11,585	-	11,585
Early learning center	184,244	-	184,244
Early intervention	109,726	-	109,726
Support Services			
Management and general	42,540	-	42,540
Fund-raising	136,765	-	136,765
	\$ 2,342,984	\$ -	\$ 2,342,984
Change in net assets	\$ 61,974	\$ (1,014)	\$ 60,960
Net assets at beginning of year	231,606	395,431	627,037
Net assets at end of year	\$ 293,580	\$ 394,417	\$ 687,997

See Notes to Financial Statements.

TARC, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

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

See Notes to Financial Statements.

TARC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services				Supporting Services		Total
	Community Support Services	Durable Medical Equipment	Early Learning Center	Early Intervention	Management and General	Fund-raising	
Salaries and related expenses:							
Salaries	\$ 1,445,503	\$ 4,616	\$ 118,702	\$ 48,960	\$ 4,616	\$ 15,560	\$ 1,637,957
Employee benefits & taxes	145,108	930	11,560	3,917	930	3,507	165,952
Workers' compensation	57,042	58	1,485	651	58	293	59,587
	<u>\$ 1,647,653</u>	<u>\$ 5,604</u>	<u>\$ 131,747</u>	<u>\$ 53,528</u>	<u>\$ 5,604</u>	<u>\$ 19,360</u>	<u>\$ 1,863,496</u>
Advertisement	\$ 65	\$ -	\$ -	\$ -	\$ -	\$ 773	\$ 838
Bank charges	-	-	-	-	1,679	-	1,679
Client supplies	567	-	-	-	5,481	-	6,048
Computer supplies	2,728	124	567	-	124	274	3,817
Contract employee	10,948	444	888	-	444	-	12,724
Contract therapists	1,585	-	-	-	-	-	1,585
Depreciation	25,876	1,206	11,871	-	1,206	-	40,159
Dues and subscriptions	3,089	101	507	78	101	1,027	4,903
Equipment	424	-	121	413	-	55	1,013
Fees and licenses	600	-	175	-	6,678	100	7,553
Food	-	-	7,882	-	-	-	7,882
Fund raising	-	-	-	-	-	22,768	22,768
Hiring	3,414	2	483	36	2	44	3,981
Housekeeping	781	37	990	-	37	-	1,845
Insurance							
Liability	15,214	724	4,059	-	724	-	20,721
Directors and officers	-	-	-	-	2,085	-	2,085
Motor vehicle	4,101	-	-	-	-	-	4,101
Interest	31	1	3	1	11,983	-	12,019
Miscellaneous	3,068	77	449	62	2,044	1,350	7,050
Motor vehicle expenses	126	-	-	-	-	-	126
Office supplies	23,401	779	2,380	12	779	334	27,685
Postage	2,595	123	246	-	123	650	3,737
Professional services	11,697	557	1,114	-	557	-	13,925
Rent	1,840	84	167	51,200	84	88,795	142,170
Repairs and maintenance	12,999	237	13,269	-	237	80	26,822
Shipping	-	-	-	-	-	-	-
Program supplies	11,862	360	701	-	-	-	12,923
Telephone and internet services	5,460	195	570	200	195	120	6,740
Travel and transportation	43,451	98	312	4,032	404	518	48,815
Seminars and training	8,317	59	4,197	164	1,196	517	14,450
Utilities	16,232	773	1,546	-	773	-	19,324
	<u>\$ 210,471</u>	<u>\$ 5,981</u>	<u>\$ 52,497</u>	<u>\$ 56,198</u>	<u>\$ 36,936</u>	<u>\$ 117,405</u>	<u>\$ 479,488</u>
Total expenses	<u>\$ 1,858,124</u>	<u>\$ 11,585</u>	<u>\$ 184,244</u>	<u>\$ 109,726</u>	<u>\$ 42,540</u>	<u>\$ 136,765</u>	<u>\$ 2,342,984</u>

See Notes to Financial Statements.

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

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

See Notes to Financial Statements.

TARC, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 60,960	\$ (18,495)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	40,159	41,343
Unrealized and realized gain (loss) on investments	3,632	(4,743)
(Increase) decrease in operating assets		
Accounts receivable	24,826	(40,141)
Promises to give	(454)	2,500
Prepaid expenses	(21,301)	39
Increase (decrease) in operating liabilities:		
Accounts payable	(12,459)	(34,337)
Other payables	2,814	2,664
Accrued salaries and payroll taxes	10,739	8,947
Net cash provided by operating activities	\$ 108,916	\$ (42,223)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	\$ -	\$ (6,300)
Purchase of bonds	(22,574)	(35,000)
Redemption of bonds	44,283	15,000
Net cash used in investment activities	\$ 21,709	\$ (26,300)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	\$ 133,000	\$ 101,200
Principal payments on line of credit	(177,123)	(55,143)
Principal payments on notes payable	(5,506)	(4,705)
Net cash used in financing activities	\$ (49,629)	\$ 41,352
 Net (increase) decrease in cash and cash equivalents	\$ 80,996	\$ (27,171)
 Beginning cash and cash equivalents	\$ 59,062	\$ 86,233
 Ending cash and cash equivalents	\$ 140,058	\$ 59,062
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for Interest	\$ 12,019	\$ 15,029

See Notes to Financial Statements.

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

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

Children's Choice

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

Durable Medical Equipment

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

Early Learning Center

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

Early Intervention

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

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) topic 958, Not- For- Profit Entities. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Basis of Accounting

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

Accounts Receivable

Accounts receivables are stated at the amount management expect to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. In management's opinion no allowance for doubtful accounts is necessary at June 30, 2013 and 2012.

Cash and Cash Equivalents

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

Concentrations

The Organization's primary source of revenue is Medicaid (Title XIX) revenue. For the fiscal year ended June 30, 2013 and 2012, \$1,966,208 and \$2,114,370, or 82% and 87% of the Organization's total gross revenue was from Title XIX. Additionally, \$90,478 and \$129,091 or 5% and 5% of the Organization's total gross revenue was from contributions and \$308,239 and \$112,264 13% and 7% of the total gross revenue was from fund raising. The remaining \$11,890 and \$8,956 of the total gross revenue was from membership dues, interest and investment income and other miscellaneous income.

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

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

Donated Property and Equipment

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Expense Allocation

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

Income Tax Status

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

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

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

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

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

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

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

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

Promises to Give

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

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

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

Investments

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

The fair value of the trust investments (10% interest of the Organization) is recorded as an asset and is also included as an increase to temporarily restricted net assets. At June 30, 2013 and 2012 the fair value of the beneficial interest in the trust was \$20,463 and \$21,931. Annual changes in the fair value of the Organization's portion of the investments are recorded as increases or decreases in the beneficial interest in the trust and temporarily restricted net assets. The change in value of the split interest agreement for the years ended June 30, 2013 and 2012 was a \$1,468 and \$442 loss included as temporarily restricted net assets.

Contributions and Grants

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Restricted contributions and grants whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 2. CASH AND CASH EQUIVALENTS

TARC, Inc. maintains several bank accounts at various banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) for amounts up to \$250,000 for interest bearing accounts. Cash at these institutions did not exceed FDIC limits at June 30, 2013 and 2012.

NOTE 3. UNCONDITIONAL PROMISE TO GIVE

At June 30, 2013 and 2012 unconditional promises to give consisted of:

	2013	2012
United Way	\$ 23,954	\$ 23,500

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

	2013	2012
Allocation for next fiscal year, general allocation	\$ 23,954	\$ 23,500
Grant	-	-
	\$ 23,954	\$ 23,500
Less: Allowance for uncollectible	-	-
	\$ 23,954	\$ 23,500

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2013 and 2012 consisted of the following:

	2013	2012
Land	\$ 47,065	\$ 47,065
Buildings & improvements	395,590	395,590
Furniture & fixtures	154,834	154,834
Vehicles	32,617	32,617
	630,106	630,106
Less: Accumulated depreciation	(389,900)	(349,742)
	\$ 240,206	\$ 280,364

Depreciation expense totaled \$40,159 and \$41,343 for the years ended June 30, 2013 and 2012, respectively.

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 5. INVESTMENTS

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

	2013	2012
Beneficial interest in trust	\$ 20,463	\$ 21,931
Municipal bonds	55,463	68,731
Corporate bonds	-	10,606
	<u>\$ 75,926</u>	<u>\$ 101,268</u>

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

	2013	2012
Net realized and unrealized gains and (losses)	\$ 3,632	\$ (4,743)
Total	<u>\$ 3,632</u>	<u>\$ (4,743)</u>

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

NOTE 6. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value for the year ended June 30 2013:

	Level 1	Level 2	Level 3	Total
Beginning balance, July 1, 2012	\$ -	\$ 101,268	\$ -	\$ 101,268
Change in value of split interest agreement	-	(1,468)	-	(1,468)
Purchase of bonds	-	22,574	-	22,574
Redemption of bonds	-	(44,283)	-	(44,283)
Loss on bonds	-	(2,165)	-	(2,165)
Ending balance, June 30, 2013	<u>\$ -</u>	<u>\$ 75,926</u>	<u>\$ -</u>	<u>\$ 75,926</u>

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 6. FAIR VALUE MEASUREMENTS (Continued)

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

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

NOTE 7. DONATED FACILITIES

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

NOTE 8. LONG- TERM DEBT

For the years ended June 30, 2013 and 2012, the Organization has a mortgage payable to the First Guaranty Bank that bears a fixed interest rate of 6% per year. The mortgage requires monthly payments of \$1,269 per month and a final balloon payment of approximately \$161,643 due on July 21, 2013. This note is collateralized by land and building held by the Organization.

On October 7, 2013 the Organization borrowed \$162,000 from the Regions Bank at 3.65% per year interest. This note payable is secured by a mortgage on the Organization's land and building and requires monthly principle and interest payments of \$1,083 until October 2018. The remaining principle of \$126,001 will be due on October, 2018. The Organization has used the proceeds to pay off the outstanding balance of note payable to First Guaranty Bank with a balance of \$161,355 at June 30, 2013. Accordingly, that balance has been classified as long-term debt, less the principle amounts due for the year ended June 30, 2014 for the new loan.

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 8. LONG- TERM DEBT (Continued)

The following is a summary of long-term liability as of June 30, 2013:

Description	June 30, 2013	Interest Rate	Current Portion	Long Term
First Guaranty	\$ 161,355	6%	\$ 161,355	\$ -

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

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

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

Year ended June 30, 2013	Amount
2014	\$ 4,776
2015	7,384
2016	7,659
2017	7,943
2018	8,238
Thereafter	126,000
	<u>\$ 162,000</u>

Interest expense for the years ended June 30, 2013 and 2012 was \$12,019 and \$12,982, respectively.

NOTE 9. LINE OF CREDIT

The Organization has a \$50,000 line of credit bearing interest at a rate of 3.250% over prime (6.00% at June 30, 2012), and is secured by a collateral real estate mortgage. The balance due for the years ended June 30, 2013 and 2012 was \$1,934 and \$46,057, respectively. Interest expense was \$1,746 and \$2,047, for the years ended June 30, 2013 and 2012, respectively.

TARC, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 10. ACCRUED VACATION AND LEAVE

Employees of TARC, Inc. accrue annual vacation and leave at various rates and number of days. There is a six month probationary period for all new employees prior to accruing any vacation or leave. Any days remaining carried over to the next fiscal year must be used by August 31st of that year or they will be forfeited. Accrued vacation and leave for the years ended June 30, 2013 and 2012 was \$4,605 and \$1,962.

NOTE 11. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2013 and 2012, TARC, Inc. had \$394,417 and \$395,431 in temporarily restricted net assets. Temporarily restricted net assets are available for the following purposes or periods:

	<u>2013</u>	<u>2012</u>
Lease value of land and building	\$ 350,000	\$ 350,000
Beneficial interest in trust	20,463	21,931
United Way- promise to give	<u>23,954</u>	<u>23,500</u>
	<u>\$ 394,417</u>	<u>\$ 395,431</u>

NOTE 12. SALARY REDUCTION PROGRAM

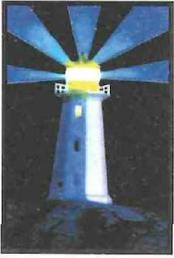
The Organization offers its employees a voluntary 403(b)(7) salary reduction program. TARC, Inc. does not contribute to this program.

NOTE 13. COMPENSATION

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

NOTE 14. SUBSEQUENT EVENTS

Subsequent events were evaluated through October 8, 2013, which is the date the financial statements were available to be issued.



BERNARD & FRANKS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

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

NICHOLAS F. CHETTA, C.P.A.

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

JAMES L. WHITE, C.P.A.

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

To the Board of Directors of
TARC, Inc.

We have audited, in accordance with the 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, the financial statements of TARC, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 8, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered TARC, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TARC Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TARC Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



October 8, 2013

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

YEAR ENDED JUNE 30, 2013

SCHEDULE #1

- An unqualified opinion was issued on the financial statements of TARC, Inc.
- The statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses is not applicable.
- The audit disclosed no instances of noncompliance that were material to the financial statements of TARC, Inc.
- No management letter was issued.
- There were no major programs during the year ended June 30, 2013; therefore, TARC, Inc. was not subject to OMB Circular A-133.
- The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- The qualification of low or high-risk auditee does not pertain to TARC, Inc. because the Organization was not subject to OMB Circular A-133.

TARC, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-Continued
REPORTABLE CONDITIONS – FINANCIAL STATEMENTS – CURRENT YEAR
YEAR ENDED JUNE 30, 2013

SCHEDULE #2

There were no findings related to the financial statements audit for the year ended June 30, 2013.

TARC, INC.
SUMMARY OF PRIOR YEAR'S AUDIT FINDINGS
YEAR ENDED JUNE 30, 2012

There were no findings for the year ended June 30, 2012.