

**TARC, INC.**  
**(A NONPROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS**

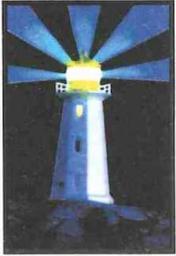
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

TARC, INC.

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**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

We have audited the accompanying statements TARC, Inc. (a nonprofit organization), which comprises the statements of financial position as of June 30, 2014 and 2013, 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.

***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, 2014 and 2013, 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 October 8, 2014, 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.

*Bernard & Franks*

Metairie, Louisiana  
October 8, 2014

TARC, INC.

STATEMENTS OF FINANCIAL POSITION  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 119,745	\$ 140,058
Accounts receivable	128,968	133,854
Unconditional promises to give	14,895	23,954
Prepaid expenses	3,873	21,613
Total current assets	<u>\$ 267,481</u>	<u>\$ 319,479</u>
<b>LONG-TERM ASSETS</b>		
Investments	<u>\$ 126,438</u>	<u>\$ 75,928</u>
<b>LAND, PROPERTY AND EQUIPMENT</b>	\$ 495,118	\$ 630,106
Less accumulated depreciation	<u>(288,442)</u>	<u>(389,900)</u>
	<u>\$ 206,676</u>	<u>\$ 240,206</u>
<b>OTHER ASSETS</b>		
Lease value of land and building	<u>\$ 350,000</u>	<u>\$ 350,000</u>
 Total assets	 <u>\$ 950,595</u>	 <u>\$ 985,613</u>

	<u>2014</u>	<u>2013</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 18,364	\$ 24,156
Other payables	11,368	15,804
Accrued salaries and payroll taxes	92,663	94,367
Line of credit	26,993	1,934
Current maturities of note payable	6,976	4,776
Total current liabilities	<u>\$ 156,364</u>	<u>\$ 141,037</u>
<b>LONG TERM LIABILITIES</b>		
Note payable	<u>\$ 150,516</u>	<u>\$ 156,579</u>
Total liabilities	<u>\$ 306,880</u>	<u>\$ 297,616</u>
<b>NET ASSETS</b>		
Unrestricted	\$ 259,417	\$ 293,580
Temporarily restricted	384,298	394,417
Total net assets	<u>\$ 643,715</u>	<u>\$ 687,997</u>
Total liabilities and net assets	<u>\$ 950,595</u>	<u>\$ 985,613</u>

See Notes to Financial Statements.

TARC, INC.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Revenues and gains			
Contributions	\$ 59,417	\$ -	\$ 59,417
United Way	-	14,895	14,895
In kind contributions	51,200	-	51,200
State contracts	1,948,040	-	1,948,040
Fund raising	280,136	-	280,136
Memberships	650	-	650
Interest	2,313	-	2,313
Loss on disposition of assets	(4,123)	-	(4,123)
Other income	6,970	(1,060)	5,910
Net assets released from restrictions			
Expiration of time restriction-United Way Services	23,954	(23,954)	-
Total revenues, gains, and other support	<u>\$ 2,368,557</u>	<u>\$ (10,119)</u>	<u>\$ 2,358,438</u>
EXPENSES			
Program Services			
Community support services	\$ 2,008,460	\$ -	\$ 2,008,460
Durable medical equipment	17,410	-	17,410
Early learning center	68,265	-	68,265
Adult day habilitation	8,621	-	8,621
Early intervention	107,676	-	107,676
Support Services			
Management and general	44,312	-	44,312
Fund-raising	147,976	-	147,976
Total expenses	<u>\$ 2,402,720</u>	<u>\$ -</u>	<u>\$ 2,402,720</u>
Change in net assets	\$ (34,163)	\$ (10,119)	\$ (44,282)
Net assets at beginning of year	<u>293,580</u>	<u>394,417</u>	<u>687,997</u>
Net assets at end of year	<u>\$ 259,417</u>	<u>\$ 384,298</u>	<u>\$ 643,715</u>

See Notes to Financial Statements.

TARC, INC.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Revenues and gains			
Contributions	\$ 39,278	\$ -	\$ 39,278
United Way	4,643	23,954	28,597
In kind lease	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)	-
Total revenues, gains, and other support	<u>\$ 2,404,958</u>	<u>\$ (1,014)</u>	<u>\$ 2,403,944</u>
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
Total expenses	<u>\$ 2,342,984</u>	<u>\$ -</u>	<u>\$ 2,342,984</u>
Change in net assets	\$ 61,974	\$ (1,014)	\$ 60,960
Net assets at beginning of year	<u>231,606</u>	<u>395,431</u>	<u>627,037</u>
Net assets at end of year	<u>\$ 293,580</u>	<u>\$ 394,417</u>	<u>\$ 687,997</u>

See Notes to Financial Statements.

TARC, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2014

	Program Services					Supporting Services		Total
	Community Support Services	Durable Medical Equipment	Early Learning Center	Adult Day Habilitation	Early Intervention	Management and General	Fund-raising	
Salaries and related expenses:								
Salaries	\$ 1,530,993	\$ 9,428	\$ 41,027	\$ 310	\$ 45,899	\$ 4,618	\$ 17,222	\$ 1,649,497
Employee benefits & taxes	156,092	1,487	4,918	50	3,737	1,065	3,478	170,827
Workers' compensation	92,665	279	1,329	30	2,976	61	874	98,214
	<u>\$ 1,779,750</u>	<u>\$ 11,194</u>	<u>\$ 47,274</u>	<u>\$ 390</u>	<u>\$ 52,612</u>	<u>\$ 5,744</u>	<u>\$ 21,574</u>	<u>\$ 1,918,538</u>
Advertisement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100	\$ 100
Bank charges	-	-	-	-	-	1,221	-	1,221
Client supplies	615	-	-	-	-	2,046	-	2,661
Computer supplies	7,164	282	564	-	187	282	-	8,479
Contract employee	7,579	361	722	-	-	361	-	9,023
Contract therapists	890	-	-	-	-	-	-	890
Donations	-	-	-	-	-	-	650	650
Depreciation	31,254	1,488	2,977	-	-	1,488	-	37,207
Dues and subscriptions	3,608	139	403	-	-	139	25	4,314
Equipment	686	11	22	-	36	11	131	897
Fees and licenses	1,104	24	48	440	-	5,766	529	7,911
Food	-	-	2,025	-	-	-	-	2,025
Fund raising	-	-	-	-	-	-	25,200	25,200
Hiring	7,448	41	91	-	38	41	215	7,874
Housekeeping	696	33	169	-	-	33	-	931
Insurance								
Liability	15,616	744	3,443	549	-	744	-	21,096
Directors and officers	-	-	-	-	-	2,555	-	2,555
Motor vehicle	278	-	-	-	-	-	-	278
Interest	-	-	-	-	-	5,998	-	5,998
Miscellaneous	5,197	80	178	52	58	13,237	-	18,802
Motor vehicle expenses	62	-	-	-	-	-	-	62
Office supplies	24,608	855	1,926	-	32	855	643	28,919
Postage	1,508	71	142	14	-	71	1,650	3,456
Professional services	11,054	526	1,053	-	-	1,379	2,917	16,929
Rent	2,207	70	140	-	51,200	70	93,758	147,445
Repairs and maintenance	17,180	341	4,332	7,176	-	341	180	29,550
Program supplies	7,405	3	6	-	-	3	-	7,417
Telephone and internet services	5,463	214	508	-	300	214	32	6,731
Travel and transportation	48,541	102	232	-	3,170	346	372	52,763
Seminars and training	11,390	14	376	-	43	550	-	12,373
Utilities	17,157	817	1,634	-	-	817	-	20,425
	<u>\$ 228,710</u>	<u>\$ 6,216</u>	<u>\$ 20,991</u>	<u>\$ 8,231</u>	<u>\$ 55,064</u>	<u>\$ 38,568</u>	<u>\$ 126,402</u>	<u>\$ 484,182</u>
Total expenses	<u>\$ 2,008,460</u>	<u>\$ 17,410</u>	<u>\$ 68,265</u>	<u>\$ 8,621</u>	<u>\$ 107,676</u>	<u>\$ 44,312</u>	<u>\$ 147,976</u>	<u>\$ 2,402,720</u>

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
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.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (44,282)	\$ 60,960
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	37,207	40,159
Unrealized and realized (gain) loss on investments	510	3,632
Loss on disposal of assets	4,123	-
(Increase) decrease in operating assets		
Accounts receivable	4,886	24,826
Promises to give	9,059	(454)
Prepaid expenses	17,740	(21,301)
Increase (decrease) in operating liabilities:		
Accounts payable	(5,791)	(12,459)
Other payables	(4,436)	2,814
Accrued salaries and payroll taxes	(1,704)	10,739
Net cash provided by operating activities	<u>\$ 17,312</u>	<u>\$ 108,916</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	\$ (8,800)	\$ -
Purchase of certificate of deposit	(50,000)	(22,574)
Purchase of mutual funds	(312)	-
Redemption of bonds	-	44,283
Net cash used in investment activities	<u>\$ (59,112)</u>	<u>\$ 21,709</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	\$ 605,961	\$ 133,000
Principal payments on line of credit	(578,968)	(177,123)
Principal payments on notes payable	(5,506)	(5,506)
Net cash used in financing activities	<u>\$ 21,487</u>	<u>\$ (49,629)</u>
Net (increase) decrease in cash and cash equivalents	\$ (20,313)	\$ 80,996
Beginning cash and cash equivalents	<u>\$ 140,058</u>	<u>\$ 59,062</u>
Ending cash and cash equivalents	<u>\$ 119,745</u>	<u>\$ 140,058</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for Interest	<u>\$ 5,998</u>	<u>\$ 12,019</u>

See Notes to Financial Statements.

TARC, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

**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. This program was closed in October 2013.

**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, 2014 AND 2013**

**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, 2014 and 2013.

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, 2014 and 2013, \$1,948,040 and \$2,114,370, or 83% and 82% of the Organization's total gross revenue was from Title XIX. Additionally, \$75,132 and \$125,512 or 5% and 5% of the Organization's total gross revenue was from contributions and \$280,136 and \$308,239 12% and 13% of the total gross revenue was from fund raising. The remaining \$4,750 and \$11,890 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, 2014 AND 2013

**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, 2014 AND 2013**

**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, 2014 AND 2013

**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, 2014 and 2013 the fair value of the beneficial interest in the trust was \$19,403 and \$20,463. 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, 2014 and 2013 was a \$1,060 and \$1,468 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, 2014 AND 2013**

**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, 2014 and 2013.

**NOTE 3. UNCONDITIONAL PROMISE TO GIVE**

At June 30, 2014 and 2013 unconditional promises to give consisted of:

	2014	2013
United Way	\$ 14,895	\$ 23,954

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:

**NOTE 4. PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2014 and 2013 consisted of the following:

	2014	2013
Land	\$ 47,065	\$ 47,065
Buildings & improvements	734,183	745,590
Furniture & fixtures	63,870	154,834
Vehicles	-	32,617
	845,118	980,106
Less: Accumulated depreciation	(288,442)	(389,900)
	\$ 556,676	\$ 590,206

Depreciation expense totaled \$37,207 and \$40,159 for the years ended June 30, 2014 and 2013, respectively.

**TARC, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 5. INVESTMENTS**

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

	2014	2013
Beneficial interest in trust	\$ 19,715	\$ 20,463
Municipal bonds	56,723	55,465
Mutual fund	312	-
Certificate of deposit	50,000	-
	\$ 126,750	\$ 75,928

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

	2014	2013
Change in value of split interest agreement	\$ (1,060)	\$ (1,468)
Unrealized gain or (loss) on bonds	1,570	(2,165)
Total	\$ 510	\$ (3,633)

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, 2014:

	Level 1	Level 2	Level 3	Total
Beneficial interest in trust	\$ -	\$ 19,715	\$ -	\$ 19,715
Municipal bonds	-	56,723	-	56,723
Mutual fund	-	312	-	312
Certificate of deposit	-	50,000	-	50,000
	\$ -	\$ 126,750	\$ -	\$ 126,750

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
Beneficial interest in trust	\$ -	\$ 20,463	\$ -	\$ 20,463
Municipal bonds	-	55,465	-	55,465
	\$ -	\$ 75,928	\$ -	\$ 75,928

**TARC, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**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**

On October 7, 2013 the Organization borrowed \$162,000 from the First Guaranty 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. The loan was renewed with Regions in October 2013 and matures in October 2018 at an interest rate of 3.85%. The remaining principle of \$136,995 will be due on October, 2018. 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.

The following is a summary of long-term liability as of June 30, 2014:

Description	June 30, 2014	Interest Rate	Current Portion	Long Term
Regions Loan	\$ 157,492	3.85%	\$ 6,976	\$ 150,516

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	-

TARC, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

**NOTE 8. LONG- TERM DEBT (Continued)**

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

Year ended June 30, 2014	Amount
2015	\$ 6,976
2016	6,744
2017	6,777
2018	136,995
	<u>\$ 157,492</u>

Interest expense for the years ended June 30, 2014 and 2013 was \$4,159 and \$10,273, 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, 2014), and is secured by a certificate of deposit. The balance due for the years ended June 30, 2014 and 2013 was \$26,993 and \$1,934, respectively. Interest expense was \$1,839 and \$1,746, for the years ended June 30, 2014 and 2013, respectively.

The Organization also has a second line of credit for \$50,000 that was unused for the year ended June 30, 2014. The line of credit bears an interest rate of 4.75%.

**NOTE 10. ACCRUED VACATION AND LEAVE**

The Organization only accrues vacation and leave at various rates and number of days for long term employees. Remaining accrued vacation and leave for the years ended June 30, 2014 and 2013 was \$1,764 and \$4,065.

**NOTE 11. CONTINGENCIES**

The Organization is a defendant in a lawsuit involving a former employee who is claiming disability discrimination and violation of the Family and Medical Leave Act. An unfavorable outcome is estimated at 25% probability. If the former employee succeeds in her claims, the expected loss is estimated at \$200,000.

**TARC, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 12. TEMPORARILY RESTRICTED NET ASSETS**

At June 30, 2014 and 2013, TARC, Inc. had \$384,298 and \$394,417 in temporarily restricted net assets. Temporarily restricted net assets are available for the following purposes or periods:

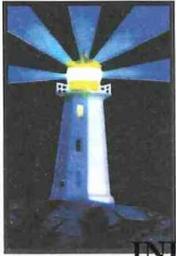
	<u>2014</u>	<u>2013</u>
Lease value of land and building	\$ 350,000	\$ 350,000
Beneficial interest in trust	19,403	20,463
United Way- promise to give	<u>14,895</u>	<u>23,954</u>
	<u>\$ 384,298</u>	<u>\$ 394,417</u>

**NOTE 13. COMPENSATION**

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

**NOTE 14. SUBSEQUENT EVENTS**

The Organization is in the process of starting a new program called the Adult Day Habilitation Program. The program will serve individuals 18 years and older and will help clients develop skills such as, life safety, computer, social interaction, community integration.



**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, 2014 and 2013, 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, 2014.

**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.

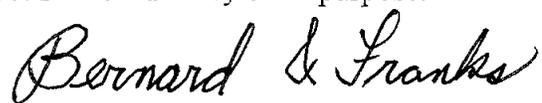
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in cursive script that reads "Bernard & Franks".

October 8, 2014

**TARC, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2014**

**SUMMARY OF AUDITOR'S RESULTS**

- The auditor's report expresses an unmodified opinion 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.
- No instances of noncompliance material to the financial statements of TARC, Inc. were disclosed during the audit.
- No management letter was issued.
- There were no major programs during the year ended June 30, 2014; 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.

**FINDINGS- FINANCIAL STATEMENT AUDIT**

- There were no findings related to the financial statements audit for the year ended June 30, 2014.

**TARC, INC.**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2014**

There were no findings for the year ended June 30, 2013.