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TARC
FINANCIAL STATEMENTS
JUNE 30, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/10/07

TARC
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JAMES M. CAMPBELL
CERTIFIED PUBLIC ACCOUNTANT

A PROFESSIONAL CORPORATION

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August 24, 2006

INDEPENDENT AUDITOR'S REPORT

Board of Directors
TARC
Hammond, Louisiana

Ladies and Gentlemen:

We have audited the accompanying statement of financial position of TARC (a non-profit organization) as of June 30, 2006, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of TARC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly in all material respects, the financial position of TARC as of June 30, 2006, 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 of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of TARC taken as a whole. The schedule of functional expenses on pages 13 and 14 is presented for purposes of additional analysis 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.

Member of:

American Institute of Certified Public Accountants
Arkansas Society of Certified Public Accountants
Society of Louisiana CPAs

Independent Auditor's Report
(Concluded)

In accordance with Government Auditing Standards, we have also issued our report dated August 24, 2006, on our consideration of TARC's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

 James M. Campbell CPA, ASC

TARC
STATEMENT OF FINANCIAL POSITION
YEAR ENDED JUNE 30, 2006

ASSETS

	<u>2006</u>
<u>CURRENT ASSETS</u>	
Cash	\$138,110
Accounts receivable	110,324
Prepaid expenses	<u>8,761</u>
<u>Total Current Assets</u>	<u>257,195</u>
<u>FIXED ASSETS</u>	
Land	47,065
Building	66,045
Leasehold improvements	38,925
Furniture and equipment	110,509
Vehicles	<u>32,617</u>
	295,161
Less: Accumulated Depreciation	<u>(138,973)</u>
<u>Total Fixed Assets</u>	<u>156,188</u>
<u>Total Assets</u>	<u>413,383</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>	
Accounts payable	9,804
Accrued payroll	21,875
Payroll taxes payable	15,449
Other payroll withholding liabilities	<u>2,776</u>
<u>Total Liabilities</u>	<u>49,904</u>
<u>NET ASSETS</u>	
Unrestricted net assets	<u>363,479</u>
<u>Total Net Assets</u>	<u>363,479</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 413,383</u>

The accompanying notes are an integral part of this statement.

TARC
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	<u>2006</u>
<u>UNRESTRICTED NET ASSETS</u>	
Contributions	\$ 17,743
Fund raisers	149,994
Memberships	5,815
Contributions - United Way	24,624
Donated facilities	<u>32,000</u>
<u>Total Unrestricted Public Support</u>	<u>230,176</u>
 <u>REVENUES</u>	
Fees and grants from Governmental Agencies and private insurers	1,040,134
Day care revenue	137,098
Interest income	993
Miscellaneous	<u>37,839</u>
<u>Total Unrestricted Revenues</u>	<u>1,216,064</u>
 <u>Total Unrestricted Public Support and Revenue</u>	 <u>1,446,240</u>
 <u>EXPENSES</u>	
Program services:	
Early intervention	252,942
Food program	17,869
Early learning center	145,875
Community support services	<u>960,256</u>
	1,376,942
Supporting services:	
Management & general	86,909
Fund raising	<u>13,200</u>
	<u>100,109</u>
<u>Total Expenses</u>	<u>1,477,051</u>
 <u>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</u>	 <u>(30,811)</u>
 <u>NET ASSETS, BEGINNING OF YEAR</u>	 <u>394,290</u>
<u>NET ASSETS, END OF YEAR</u>	<u>\$ 363,479</u>

The accompanying notes are an integral part of this statement.

TARC
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2006

	<u>2006</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Change in net assets	\$(30,811)
Adjustments to reconcile change to net cash provided by operating activities:	
Depreciation	9,537
Bad debt provision	8,760
(Increase) Decrease in:	
Accounts receivable	(11,992)
Prepaid expenses	(7,652)
Increase (Decrease) in:	
Accounts payable	(8,965)
Accrued payroll	3,634
Payroll taxes payable	(984)
Other payroll withholding liabilities	<u>1,037</u>
 <u>NET CASH FROM OPERATING ACTIVITIES</u>	 <u>(37,436)</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Purchases of property and equipment	<u>(17,496)</u>
 <u>NET CASH FROM INVESTING ACTIVITIES</u>	 <u>(17,496)</u>
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	
 <u>NET CASH FROM FINANCING ACTIVITIES</u>	 <u>0</u>
 <u>NET INCREASE (DECREASE) IN CASH</u>	 <u>(54,932)</u>
 <u>CASH, BEGINNING OF YEAR</u>	 <u>193,042</u>
 <u>CASH, END OF YEAR</u>	 <u>138,110</u>
 <u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</u>	
Cash paid during the year for:	
Interest	<u>\$ 0</u>

The accompanying notes are an integral part of this statement.

TARC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

TARC is a private, non-profit organization whose purpose is to provide an early intervention program for children, birth to three years of age, who reside in Tangapahoa and Livingston Parishes, with developmental needs or handicaps, or at risk of having developmental needs or handicaps. TARC provides advocacy and community support services to individuals with disabilities. TARC also operates a Day Care facility which can provide for special needs children as well as the general public. TARC's support comes primarily from various state contracts and programs.

B. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of TARC and changes therein are classified and reported as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of TARC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by TARC. Generally, the donors of these assets permit TARC to use all or part of the income earned on any related investments for general or specific purposes.

C. Financial Statement Presentation

In 1997, TARC adopted Statement of Financial Accounting Standards, (SFAS) No.117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No.117, TARC 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) based upon the existence or absence of donor-imposed restrictions. As permitted by this Statement, TARC has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required.

TARC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Statement Presentation (Continued)

TARC also adopted SFAS No.116, "Accounting for Contributions Received and Contributions Made", in 1997. In accordance with SFAS No.116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

D. Income Taxes

TARC is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code, and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, TARC has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ending June 30, 2006.

E. Allocation of Supporting Service Expenditure

Certain overhead expenses have been allocated between Program services and Supporting services based on a time study and an allocation of floor space based on the utilization of square footage by each program.

F. Cash and Cash Equivalents

TARC considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

G. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets, and reported in the Statement of Activities as net assets released from restrictions.

H. Fixed Assets

Fixed assets acquired by TARC are considered to be owned by TARC; however, State funding sources may maintain 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. The State has a reversionary interest in those assets purchased with its funds which have a cost of \$500 or more and an estimated useful life of at least one year.

TARC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Fixed Assets (Continued)

TARC follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

	<u>Estimated Useful Life</u>	<u>Cost</u>
Building	39.5 years	\$ 66,045
Leasehold Improvements	5-10 years	38,925
Furniture and equipment	5-10 years	110,509
Vehicles	5 years	32,617
		<u>\$248,096</u>

Depreciation expense was \$9,537 for the year ending June 30, 2006.

I. Functional Allocation of Expenses

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

J. Estimates

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

K. Support and Revenue

TARC receives grant and contract support from the State Department of Health and Hospitals and other State Agencies (see Note 10-Summary of Grants/Contracts Funding). TARC receives client fees, Medicaid income, and Medicare income for billable client services and recognizes these fees and income when earned.

NOTE 2: ACCOUNTS RECEIVABLE

Receivables at June 30, 2006 are summarized below. Revenues and related receivables represent fees for services provided. No collateral is required by TARC. At June 30, 2006 no provision for uncollectible receivables has been provided. Management has evaluated accounts receivable and believes that they are all collectible.

	<u>June 30, 2006</u>
Due from State of Louisiana:	
Early Intervention Program	\$ 7,745
Due from other sources:	
Other Receivables	102,579
	<u>\$ 110,324</u>

TARC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2: ACCOUNTS RECEIVABLE (CONTINUED)

Accounts receivables are stated at the amount management expects 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. The allowance for doubtful accounts at June 30, 2006 and 2005 was \$-0- and \$52,000, respectively.

NOTE 3: ACCRUED VACATION AND LEAVE - EMPLOYEE BENEFITS

Employees of TARC accrue annual vacation and leave at various rates and number of days. There is a six (6) month probationary period for all new employees prior to accruing any vacation or leave. Any vacation days carried over to the following fiscal year must be used by the 31st of August of that year or be forfeited. There was \$2,875 recorded in accrued leave as of June 30, 2006.

NOTE 4: COMMITMENTS AND CONTINGENCIES

TARC receives a substantial portion of its revenues from Government grants and contracts which require the Organization to obtain a contract compliance audit of expenditures charged to the contracts. These may be subject to retroactive adjustments by third party payers. Management is not aware of any proposed adjustments and no provision for estimated retroactive adjustment has been provided.

NOTE 5: DONATED FACILITIES, MATERIALS, EQUIPMENT, AND SERVICES

Donated facilities are reflected as revenue received directly from the public with a corresponding expense to supporting services in the amount of \$32,000. The estimated value was determined by inquiry of real estate agents in the general area.

TARC records the value of donated goods or services when there is an objective basis available to measure their value.

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt. There were no equipment donations as of June 30, 2006. The value of donated services is not reflected in the accompanying financial statements because the value of such services and the amount of time donated is immaterial.

NOTE 6: LEASES

TARC's lease with the State of Louisiana, for a 6,400 square foot building located at 201 East Church Street, Hammond, Louisiana was renewed for an additional twenty-five years on October 19, 2003. The consideration was the mutual benefit, advantages, and convenience to be derived by the public in the operation of TARC. The donated facilities are valued at \$32,000 annually.

TARC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 7: SALARY REDUCTION PROGRAM

TARC offers its employees a 403 (b) (7) salary reduction program. Participation in this program is voluntary. TARC does not contribute to this program.

NOTE 8: FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents - Fair value approximates carrying value due to the initial maturities of the instruments being three months or less.

The estimated fair values of TARC's financial instruments at June 30, 2006 are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$138,110	\$138,110

NOTE 9: CONCENTRATION OF CREDIT RISK

TARC maintains several bank accounts at three banks. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. There were no bank accounts in excess of the FDIC limit as of June 30, 2006

NOTE 10: SUMMARY OF GRANTS/CONTRACTS FUNDING

TARC received funding from the following sources for the period July 1, 2005 to June 30, 2006:

<u>Funding Source</u>	<u>Grant Contract Number</u>	<u>Period</u>	<u>Contract</u>	<u>Support</u>
Department of Education Child and Adult Care Food Program (CACFP)	10.558			<u>11,542</u>
<u>TOTAL GRANTS AND CONTRACTS</u>				<u>\$ 11,542</u>

TARC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 11: ECONOMIC DEPENDENCY

TARC derives its revenues from governmental sources (Medicaid), the loss of which would have a material adverse affect. During the year ended June 30, 2006, revenue derived from governmental sources accounted for approximately 80% of total revenue. Ninety five (95%) of accounts receivable at the year-end were related to such revenues.

NOTE 12: COMMITMENTS AND CONTINGENCIES

TARC is subject to certain claims and litigation. All claims are in an early stage and any potential loss cannot be estimated at this time. The Company's liability, if any, may be determined during the next fiscal year ending June 30, 2007. In the opinion of management, the outcome of these matters will not have a material effect on the financial position of the Organization.

SUPPLEMENTARY INFORMATION

TARC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2006

	<u>PROGRAM EXPENSES</u>		
	<u>EARLY INTERVENTION PROGRAM</u>	<u>CHILD AND ADULT CARE FOOD PROGRAM</u>	<u>EARLY LEARNING CENTER</u>
Salaries	\$ 147,340	\$ 7,123	\$ 100,235
Payroll taxes and benefits	<u>23,297</u>	<u>889</u>	<u>8,297</u>
<u>Total employee compensation</u>	<u>170,637</u>	<u>8,012</u>	<u>108,532</u>
Affiliation fees			
Bad debt			
Central office overhead	50,123		24,089
Contract therapist services	7,249		
Dues and subscriptions	687		220
Equipment	73		145
Fund raising expense			780
Insurance	5,040	79	3,547
Interest			
Meeting expense			
Miscellaneous	178		2,112
Office expense	877		239
Professional services			
Rent			
Repairs and maintenance-buildings	92		
Repairs and maintenance-equipment	1,376		246
Supplies-general	50	9,778	1,422
Supplies-training	1,156		3,159
Telephone	180		108
Training	2,052		150
Travel and seminars	<u>10,475</u>		<u>327</u>
Total expenses before depreciation	<u>250,245</u>	<u>17,869</u>	<u>145,076</u>
Depreciation of Fixed Assets	<u>2,697</u>		<u>799</u>
<u>Total Functional Expenses</u>	<u>\$ 252,942</u>	<u>\$ 17,869</u>	<u>\$ 145,875</u>

See Auditor's Report

<u>COMMUNITY SUPPORT SERVICES</u>	<u>TOTAL PROGRAM EXPENSES</u>	<u>SUPPORTING SERVICES</u>	<u>TOTAL EXPENSES (MEMORANDUM ONLY) 6-30-06</u>
\$ 640,604	\$ 895,302	\$ 19,599	\$ 914,901
56,088	88,571	2,360	90,931
<u>696,692</u>	<u>983,873</u>	<u>21,959</u>	<u>1,005,832</u>
8,760	8,760	2,226	2,226
167,560	241,772	10,714	8,760
200	7,449		252,486
2,654	3,561	410	7,449
3,300	3,518	485	3,971
	780	13,200	4,003
14,133	22,799	1,651	13,980
			24,450
			0
		2,396	2,396
3,471	5,761	5,873	11,634
1,957	3,073	4,513	7,586
		3,417	3,417
		32,000	32,000
	92		92
	1,622		1,622
20,498	31,748		31,748
926	5,241		5,241
322	610		610
80	2,282	265	2,547
34,061	44,863	601	45,464
<u>954,614</u>	<u>1,367,804</u>	<u>99,710</u>	<u>1,467,514</u>
<u>5,642</u>	<u>9,138</u>	<u>399</u>	<u>9,537</u>
<u>\$ 960,256</u>	<u>\$ 1,376,942</u>	<u>\$ 100,109</u>	<u>\$ 1,477,051</u>

TARC
SCHEDULE OF FEDERAL/STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>CFDA OR OTHER NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
<u>Department of Education</u>			
Child and Adult Care Food Program (CACFP)	10.558		<u>11,542</u>
Total			<u>\$ 11,542</u>

See Auditor's Report

JAMES M. CAMPBELL
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August 24 2006

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

Board of Directors
TARC
Hammond, Louisiana

We have audited the financial statements of TARC (a nonprofit organization) as of and for the year ended June 30, 2006 and have issued our report thereon dated August 24 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered TARC's internal control over financial reporting in order to determine our audit procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by errors or fraud 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.

Compliance

As part of obtaining reasonable assurance about whether TARC's financial statements are free of 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*.

This report is intended solely for the information of the Board of Directors, management, state and federal granting agencies of TARC, the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

 James M. Campbell CPA, AICPA

TARC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of TARC.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of TARC were disclosed during the audit.
4. TARC was determined to be a low-risk auditee.

TARC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

SUMMARY OF AUDIT RESULTS

1. The auditor's report expressed an unqualified opinion on the financial statements of TARC.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of TARC were disclosed during the audit.
4. TARC was determined to be a low-risk auditee.