

9153

THE ARC OF MOREHOUSE

**Financial Statements
For the Years Ended June 30, 2006 and 2005**

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 11-15-06

THE ARC OF MOREHOUSE

JUNE 30, 2006 and 2005

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REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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INDEPENDENT AUDITORS' REPORT

**Board of Directors
The ARC of Morehouse
Bastrop, Louisiana**

We have audited the accompanying statements of financial position of **The ARC of Morehouse** (a nonprofit organization - the Association) as of June 30, 2006 and 2005, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our 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 and the *Louisiana Governmental Audit Guide* published by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. 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.

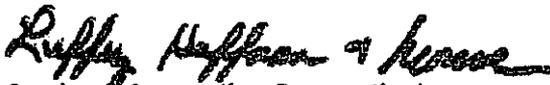
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The ARC of Morehouse as of June 30, 2006 and 2005, and the changes of its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2006 on our consideration of the Association'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 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.

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**Board of Directors
The ARC of Morehouse**

Our audit was conducted for the purpose of forming an opinion on the financial statements of The ARC of Morehouse taken as a whole. The accompanying financial information listed as Supplemental Schedules in the accompanying Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Association. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



(A Professional Accounting Corporation)

October 23, 2006

FINANCIAL STATEMENTS

**THE ARC OF MOREHOUSE
STATEMENTS OF FINANCIAL POSITION**

	June 30, 2006		
	Unrestricted	Temporarily Restricted	Total
ASSETS			
Cash and cash equivalents	\$ 237,350	\$ -	\$ 237,350
Investments	82,242	-	82,242
Accounts receivable	177,973	877	178,850
Prepaid assets	28,068	-	28,068
Fixed assets	908,433	-	908,433
Accumulated depreciation	(439,945)	-	(439,945)
TOTAL ASSETS	\$ 994,121	\$ 877	\$ 994,998
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$ 12,755	\$ -	\$ 12,755
Accrued payroll	70,312	-	70,312
Payroll taxes payable	3,275	-	3,275
Other accrued liabilities	5,664	-	5,664
Total Liabilities	92,006	-	92,006
Net Assets			
Unrestricted	902,115	-	902,115
Temporarily restricted	-	877	877
Total net assets	902,115	877	902,992
TOTAL LIABILITIES AND NET ASSETS	\$ 994,121	\$ 877	\$ 994,998

The accompanying notes are an integral part of these financial statements.

June 30, 2005

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 235,540	\$ -	\$ 235,540
81,072	-	81,072
172,208	2,521	174,729
26,413	-	26,413
1,033,134	33,344	1,066,478
(525,805)	(33,344)	(559,149)
\$ 1,022,562	\$ 2,521	\$ 1,025,083
\$ 11,431	-	11,431
75,452	-	75,452
1,014	-	1,014
6,046	-	6,046
93,943	-	93,943
928,619	-	928,619
-	2,521	2,521
928,619	2,521	931,140
\$ 1,022,562	\$ 2,521	\$ 1,025,083

**THE ARC OF MOREHOUSE
STATEMENTS OF ACTIVITIES**

	June 30, 2006		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support, Revenue and Gains			
Intergovernmental revenue	\$ 1,960,562	\$ -	\$ 1,960,562
Program receipts	385,528	-	385,528
United Way	1,981	877	2,858
Donations	1,536	-	1,536
Memberships	705	-	705
Interest	5,869	-	5,869
Gain on sale of assets	4,717	-	4,717
Miscellaneous	12,195	-	12,195
Net assets released from restrictions	<u>2,521</u>	<u>(2,521)</u>	<u>-</u>
Total support, revenue and gains	2,375,614	(1,644)	2,373,970
Expenses			
Program services			
Adult habilitation	355,910	-	355,910
Contract services	123,616	-	123,616
Supported living	885,125	-	885,125
East Morehouse community home	329,072	-	329,072
Crossett Road community home	<u>286,118</u>	<u>-</u>	<u>286,118</u>
Total of Program Services	1,979,841	-	1,979,841
Supporting services			
General and administrative	<u>422,277</u>	<u>-</u>	<u>422,277</u>
Total expenses	<u>2,402,118</u>	<u>-</u>	<u>2,402,118</u>
Increase (decrease) in net assets	(26,504)	(1,644)	(28,148)
Net assets at beginning of year	<u>928,619</u>	<u>2,521</u>	<u>931,140</u>
NET ASSETS AT END OF YEAR	<u>\$ 902,115</u>	<u>\$ 877</u>	<u>\$ 902,992</u>

The accompanying notes are an integral part of these financial statements.

June 30, 2005

Unrestricted	Temporarily Restricted	Total
\$ 2,032,590	\$ -	\$ 2,032,590
388,262	-	388,262
2,479	2,521	5,000
8,130	-	8,130
3,620	-	3,620
2,107	-	2,107
800	-	800
1,079	-	1,079
2,697	(2,697)	-
<u>2,441,764</u>	<u>(176)</u>	<u>2,441,588</u>
372,784	-	372,784
129,593	-	129,593
912,890	-	912,890
314,654	-	314,654
285,491	-	285,491
<u>2,015,412</u>	<u>-</u>	<u>2,015,412</u>
412,030	-	412,030
<u>2,427,442</u>	<u>-</u>	<u>2,427,442</u>
14,322	(176)	14,146
<u>914,297</u>	<u>2,697</u>	<u>916,994</u>
<u>\$ 928,619</u>	<u>\$ 2,521</u>	<u>\$ 931,140</u>

**THE ARC OF MOREHOUSE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2006**

	General and Administrative	Program Services							Total
		Adult Habilitation (Day) Program	Contract Services	Supported Living	Residential Services			Crossett Road	
					East Morehouse	East	Crossett		
Salaries	\$ 3,407	\$ 277,242	\$ 103,347	\$ 842,857	\$ 185,613	\$ 175,205	\$ 1,587,671		
Payroll taxes and fringe benefits	408	44,232	4,969	145,228	26,513	22,789	244,139		
Total salaries and related expenses	3,815	321,474	108,316	988,085	212,126	197,994	1,831,810		
Consultants	-	150	-	45	1,818	11,973	13,986		
Data processing	-	1,632	-	2,982	1,359	1,076	7,049		
Dues and subscriptions	-	2,281	-	2,911	1,204	1,050	7,446		
Food and client needs insurance	-	7,454	826	3,339	27,497	27,422	66,538		
Maintenance	-	29,563	1,890	14,371	10,377	9,178	65,379		
Office	706	12,983	-	4,925	4,681	4,644	27,233		
Other	-	2,232	-	4,131	1,690	1,705	10,464		
Postage	-	691	-	-	258	24	973		
Postage	41	352	14	635	262	250	1,554		
Professional fees	-	3,568	275	6,522	2,696	2,353	15,414		
Public awareness	-	1,449	1,464	2,511	1,038	906	7,368		
Supplies	3,038	5,155	10,831	3,054	2,471	2,862	27,411		
Taxes and licenses	5	934	-	2,683	1,581	1,358	6,561		
Telephone	52	3,659	-	4,721	2,476	2,377	13,285		
Training	-	-	-	-	91,612	59,221	150,833		
Transportation	26	29,760	-	4,426	3,320	3,709	41,241		
Travel and conventions	-	1,165	-	6,991	1,028	1,459	10,643		
Utilities	-	7,624	-	2,340	7,721	5,330	23,015		
Total	7,683	432,126	123,616	1,054,672	375,215	334,891	2,328,203		
Depreciation	23,276	15,548	-	168	23,198	11,725	73,915		
Functional expenses before reallocation	30,959	447,674	123,616	1,054,840	398,413	346,616	2,402,118		
Reallocation of general and administrative	391,318	(91,764)	-	(169,715)	(69,341)	(60,498)	-		
TOTAL FUNCTIONAL EXPENSES	\$ 422,277	\$ 355,910	\$ 123,616	\$ 885,125	\$ 329,072	\$ 286,118	\$ 2,402,118		

The accompanying notes are an integral part of these financial statements.

**THE ARC OF MOREHOUSE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005**

	General and Administrative	Program Services						Total
		Adult Habilitation (Day) Program	Contract Services	Residential Services		Crossett Road		
				Supported Living	East Morehouse			
Salaries	\$ -	\$ 275,698	\$ 113,904	\$ 877,215	\$ 174,914	\$ 164,779	\$ 1,606,510	
Payroll taxes and fringe benefits	-	41,983	5,007	143,332	26,799	23,009	240,130	
Total salaries and related expenses	-	317,681	118,911	1,020,547	201,713	187,788	1,846,640	
Consultants	-	80	-	532	3,769	11,371	15,752	
Data processing	-	1,325	-	3,297	1,115	1,180	6,917	
Dues and subscriptions	537	863	-	1,536	520	491	3,947	
Food and client needs	6,955	7,548	666	3,791	20,654	26,106	65,720	
Insurance	-	38,578	1,289	10,393	10,148	5,464	65,872	
Maintenance	-	11,574	-	4,697	3,694	4,092	24,057	
Lenses	-	300	-	-	-	-	300	
Office	-	2,529	-	5,748	2,083	2,071	12,431	
Other	3,709	-	-	-	-	-	3,709	
Postage	66	333	-	832	280	269	1,780	
Professional fees	-	2,746	-	6,832	2,311	2,186	14,075	
Public awareness	125	1,974	-	4,912	1,662	1,572	10,245	
Supplies	3,960	4,277	8,727	1,775	5,669	6,516	30,924	
Taxes and licenses	-	1,622	-	4,674	1,580	1,642	9,518	
Telephone	-	3,722	-	4,757	2,675	2,687	13,841	
Training	-	303	-	-	96,976	66,090	163,369	
Transportation	-	26,537	-	3,582	2,699	4,650	37,468	
Travel and conventions	192	2,990	-	9,451	1,569	1,629	15,831	
Utilities	-	6,706	-	2,555	6,528	5,058	20,847	
Total	15,544	431,688	129,593	1,089,911	365,645	330,862	2,363,243	
Depreciation	30,185	12,268	-	557	10,181	11,008	64,199	
Functional expenses before reallocation	45,729	443,956	129,593	1,090,468	375,826	341,870	2,427,442	
Reallocation of general and administrative	366,301	(71,172)	-	(177,578)	(61,172)	(56,379)	-	
TOTAL FUNCTIONAL EXPENSES	\$ 412,030	\$ 372,784	\$ 129,593	\$ 912,890	\$ 314,654	\$ 285,491	\$ 2,427,442	

**THE ARC OF MOREHOUSE
STATEMENTS OF CASH FLOWS**

	June 30,	
	2006	2005
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (28,148)	\$ 14,146
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	73,915	64,199
Gain on disposition of assets	(4,717)	(800)
Changes in assets and liabilities:		
Accounts receivable	(4,122)	39,264
Prepays and other current assets	(1,655)	(12,547)
Accounts payable	1,326	6,740
Accrued liabilities	(3,261)	17,779
Net cash provided by operating activities	33,338	128,781
 Cash Flows From Investing Activities		
Purchase of investments	(1,170)	(914)
Proceeds from disposition of assets	9,912	800
Additions to property and equipment	(40,270)	(65,340)
Net cash used by investing activities	(31,528)	(65,454)
 Net Increase in Cash and Cash Equivalents	1,810	63,327
 Beginning Cash and Cash Equivalents	235,540	172,213
 ENDING CASH AND CASH EQUIVALENTS	\$ 237,350	\$ 235,540

The accompanying notes are an integral part of these financial statements.

THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

Note 1 - Description of Organization

The ARC of Morehouse (the Association) is a nonprofit voluntary health and welfare association chartered in 1958 to promote the general welfare of mentally retarded persons residing in Morehouse Parish.

Note 2 - Summary of Significant Accounting Policies

A. Financial Statement Presentation

In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Associations," the Association 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. The Association has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets.

The Association has also adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. At June 30, 2006 and 2005, the Association had receivables of \$877 and \$2,521, respectively, representing United Way contributions awarded during fiscal years ending June 30, 2006 and 2005 that will be received during the subsequent fiscal year. Under SFAS No. 116, such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the related time restrictions.

Donations are considered to be available for unrestricted use unless specifically restricted by the donor. Restricted contributions received during the year whose restrictions are met in the same reporting period are treated as unrestricted contributions.

B. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

**THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

C. Cash and Cash Equivalents

The Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

D. Fixed Assets

Fixed assets are recorded at actual or historical cost. Donated assets are recorded at fair market value on the date of donation. Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. The Association has a policy to capitalize fixed assets costing more than \$500. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and the gain or loss is included in operations.

Depreciation of buildings and equipment is computed by the straight-line method over the following estimated service lives:

	<u>Years</u>
Buildings and Improvements	15-30
Furniture and Equipment	5-10
Vehicles	3-5

E. Functional Expenses

Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. The percentage of Direct Cost of each program to total direct cost is the basis used to allocate other expenses that are common to several functions.

F. Programs

The Association's principal programs and primary funding sources are:

Adult Habilitation (Day Program) - The Adult Habilitation funds are used to train clients in vocational and prevocational activities and supportive services.

Contract Services - Contract Services income is derived from services performed by clients which include janitorial and other contracts.

Supported Living - Supported Living income is received from the Louisiana Department of Health and Hospitals. This program, similar to the Community Homes, helps the individual clients become more independent by providing support and training in their residences within the community.

**THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

Residential Services - Residential Services income is received from the Louisiana Department of Health and Hospitals. Clients pay a pro-rata share of the costs based on their income. This program provides clients with a home environment within the community and helps them become more independent citizens.

G. Tax-Exempt Status

The Association is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (Code) and, therefore, has no provision for Federal income taxes. Contributions to the Association are tax deductible within the limitations prescribed by the Code.

H. 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.

I. Reclassifications

Minor reclassifications have been made to the prior year financial statements to make them comparable to the current year presentation.

**THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

Note 3 - Fixed Assets

Fixed assets consisted of the following:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Buildings	\$ 476,341	\$ 472,697
Equipment	96,691	195,821
Vehicles	257,947	304,812
Land	16,220	16,220
Improvements	61,234	54,223
Less: Accumulated depreciation	<u>(439,945)</u>	<u>(559,149)</u>
Net fixed assets	468,488	484,624
Construction in process	<u>-</u>	<u>22,705</u>
TOTAL FIXED ASSETS	<u>\$ 468,488</u>	<u>\$ 507,329</u>

In prior years, a vehicle with a cost of \$33,344 that was acquired through a Federal grant was included in the above figures. The vehicle was released from restriction during 2006.

Depreciation charged to expense in 2006 and 2005 is \$73,915 and \$64,199, respectively.

Note 4 – Allocation of General and Administrative Expenses

Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated in proportion to the direct expenses of the program to total direct expenses of all the programs. The following is the detail of the general and administrative expenses that have been reclassified from program services on the Statement of Functional Expenses for the years ended June 30, 2006 and 2005:

**THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	June 30,	
	2006	2005
Data Processing	\$ 6,922	\$ 6,792
Dues and Subscriptions	6,759	3,165
Food	2,458	2,858
Insurance	26,818	14,961
Maintenance	13,014	11,379
Office Expense	9,433	11,096
Payroll Taxes and Fringe Benefits	35,346	29,909
Postage	1,474	1,705
Professional Fees	15,139	17,403
Public Awareness	5,829	10,119
Salaries	245,892	234,778
Supplies	4,944	3,777
Taxes & Licenses	2,079	-
Telephone	7,847	7,979
Travel and Conventions	1,931	5,117
Utilities	5,433	5,263
TOTAL	\$ 391,318	\$ 366,301

Note 5 - Significant Concentrations of Risk

Certain financial instruments potentially subject the Association to concentration of credit risk. These financial instruments consist primarily of cash and cash equivalents. The Association maintains its cash in various bank deposit accounts, which at times may exceed federally insured limits. The Association has not experienced any losses in such accounts. At June 30, 2006, no bank deposits exceeded the federal insured limits.

The Association receives approximately 82% of total revenue and support from various state agencies.

Note 6 - Retirement Plan

Effective July 1, 2005, the Association began contributing to the American Funds 503(b) retirement plan at a rate of fifty percent of the employees' contributions. Substantially all employees are eligible to participate. Plan expenses incurred by the Association for the year ended June 30, 2006 were \$4,586.

SUPPLEMENTAL SCHEDULES

**THE ARC OF MOREHOUSE
COMBINING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2006**

	Local Fund	Program Services						Total
		Adult Habilitat (Day) Program	Contract Services	Supported Living	Residential Services		Early Intervention	
					East Merchouse	Crosssett Road		
ASSETS								
Cash and Cash Equivalents	\$ 195,229	\$ -	\$ 9,453	\$ 426	\$ 101	\$ 32,141	\$ 237,350	
Investments	82,242	-	-	-	-	-	82,242	
Accounts Receivable	1,166	9,824	13,187	92,917	31,858	29,898	178,850	
Prepaid Assets	14,731	3,000	1,260	5,380	1,717	1,980	28,068	
Due From Other Funds	1,630,417	440,039	4,706	326,319	114,800	210,270	2,726,551	
Fixed Assets	908,433	-	-	-	-	-	908,433	
Accumulated Depreciation	(439,945)	-	-	-	-	-	(439,945)	
TOTAL ASSETS	\$ 2,392,273	\$ 452,863	\$ 28,606	\$ 425,042	\$ 148,476	\$ 274,289	\$ 3,721,549	

LIABILITIES AND NET ASSETS

Current Liabilities							
Accounts Payable	\$ 4	\$ 2,668	\$ 1,904	\$ 2,465	\$ 2,045	\$ 3,669	\$ 12,755
Accrued Payroll	-	10,220	4,385	39,495	7,997	8,215	70,312
Payroll Taxes Payable	3,275	-	-	-	-	-	3,275
Other Accrued Liabilities	646	-	-	-	2,745	1,273	5,664
Due To Other Funds	1,680,775	118,202	9,363	528,572	80,565	309,074	2,726,551
Total Current Liabilities	1,684,700	131,090	15,652	570,532	93,352	323,231	2,818,557
Net assets (deficit):							
Unrestricted	707,573	320,896	12,954	(145,490)	55,124	(48,942)	902,115
Temporarily Restricted	-	877	-	-	-	-	877
Total Net Assets	707,573	321,773	12,954	(145,490)	55,124	(48,942)	902,992
TOTAL LIABILITIES AND NET ASSETS	\$ 2,392,273	\$ 452,863	\$ 28,606	\$ 425,042	\$ 148,476	\$ 274,289	\$ 3,721,549

(Continued)

**THE ARC OF MOREHOUSE
COMBINING SCHEDULE OF FINANCIAL POSITION (CONCLUDED)
JUNE 30, 2005**

	Local Fund	Program Services					Total	
		Adult Habilitation (Day) Program	Contract Services	Supported Living	Residential Services			
					East Morehouse	Crossett Road		
ASSETS								
Cash and Cash Equivalents	\$ 235,436	\$ -	\$ -	\$ -	\$ 101	\$ 3	\$ -	\$ 235,540
Investments	81,072	-	-	-	-	-	-	81,072
Accounts Receivable	43	19,820	12,094	87,043	28,464	27,265	-	174,729
Prepaid Assets	14,191	2,783	1,261	4,837	1,534	1,807	-	26,413
Due From Other Funds	1,399,874	466,408	65,147	758,755	127,797	269,914	13,581	3,101,476
Fixed Assets	1,066,478	-	-	-	-	-	-	1,066,478
Accumulated Depreciation	(559,149)	-	-	-	-	-	-	(559,149)
TOTAL ASSETS	\$ 2,237,945	\$ 489,011	\$ 78,502	\$ 850,635	\$ 157,896	\$ 298,989	\$ 13,581	\$ 4,126,559

LIABILITIES AND NET ASSETS

Current Liabilities	\$ 37	\$ 2,869	\$ 506	\$ 4,570	\$ 1,911	\$ 1,538	\$ -	\$ 11,431
Accounts Payable	-	12,821	3,837	42,613	8,681	7,900	-	75,452
Accrued Payroll	1,014	-	-	-	-	-	-	1,014
Payroll Taxes Payable	646	-	-	-	2,700	2,700	-	6,046
Other Accrued Liabilities	1,867,398	177,486	13,663	586,257	128,399	314,692	13,581	3,101,476
Due To Other Funds	1,869,095	193,176	18,006	633,440	141,691	326,430	13,581	3,195,419
Total Current Liabilities								
Net assets (deficit):								
Unrestricted	368,850	293,314	60,496	217,195	16,205	(27,441)	-	928,619
Temporarily Restricted	-	2,521	-	-	-	-	-	2,521
Total Net Assets (Deficit)	368,850	295,835	60,496	217,195	16,205	(27,441)	-	931,140
TOTAL LIABILITIES AND NET ASSETS	\$ 2,237,945	\$ 489,011	\$ 78,502	\$ 850,635	\$ 157,896	\$ 298,989	\$ 13,581	\$ 4,126,559

THE ARC OF MOREHOUSE
 COMBINING SCHEDULE OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2006

	Program Services						Total
	Local Fund	Adult Habilitation (Day) Program	Contract Services	Supported Living	East Morehouse	Crosssett Road	
Revenues and Other Support							
Intergovernmental revenue	\$ -	\$ 220,473	\$ -	\$ 1,143,320	\$ 303,313	\$ 291,456	\$ 1,960,562
Program receipts	-	150,832	158,977	-	42,017	33,702	385,528
United Way	-	2,858	-	-	-	-	2,858
Donations	1,436	100	-	-	-	-	1,536
Memberships	705	-	-	-	-	-	705
Interest	5,869	-	-	-	-	-	5,869
Gain on sale of assets	4,717	-	-	-	-	-	4,717
Miscellaneous	4,154	-	714	7,327	-	-	12,195
Total revenues and other support	16,881	374,263	159,691	1,152,647	345,330	325,158	2,373,970
Expenses							
Program services							
Adult habilitation	-	432,126	-	-	-	-	432,126
Contract Services	-	-	123,616	-	-	-	123,616
Supported living	-	-	-	1,054,672	-	-	1,054,672
East Morehouse community home	-	-	-	-	375,215	-	375,215
Crosssett Road community home	-	-	-	-	-	334,891	334,891
Total program services	-	432,126	123,616	1,054,672	375,215	334,891	2,320,520
Management and general	7,683	-	-	-	-	-	7,683
Total expenses before depreciation	7,683	432,126	123,616	1,054,672	375,215	334,891	2,328,203
Depreciation	73,915	-	-	-	-	-	73,915
Total expenses	81,598	432,126	123,616	1,054,672	375,215	334,891	2,402,118
Increase (decrease) in net assets	(64,717)	(57,863)	36,075	97,975	(29,885)	(9,733)	(28,148)
Other sources (uses)							
Operating transfers in	408,537	102,956	-	-	76,470	-	587,963
Operating transfers out	(5,097)	(19,155)	(83,617)	(460,660)	(7,666)	(11,768)	(587,963)
Total Other Sources	403,440	83,801	(83,617)	(460,660)	68,804	(11,768)	-
Increase (decrease) in net assets	338,723	25,938	(47,542)	(362,685)	38,919	(21,501)	(28,148)
Net assets at beginning of year	368,850	295,835	60,496	217,195	16,205	(27,441)	931,140
NET ASSETS AT END OF YEAR	\$ 707,573	\$ 321,773	\$ 12,954	\$ (145,490)	\$ 55,124	\$ (48,942)	\$ 902,992

(Continued)

**THE ARC OF MOREHOUSE
COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

SCHEDULE 2

	Local Fund	Program Services						Total
		Adult Habilitation (Day) Programs	Contract Services	Supported Living	East Morehouse	Crossett Road		
Revenues and Other Support								
Intergovernmental revenue								
Program receipts								
United Way		235,767	\$ -	1,205,082	\$ -	304,232	\$ 2,032,590	
Donations		163,066	146,420	-	287,509	31,968	388,262	
Memberships	7,510	5,000	-	-	46,808	-	5,000	
Interest	3,620	620	-	-	-	-	8,130	
Gain on sale of assets	2,107	-	-	-	-	-	3,620	
Miscellaneous	800	-	-	-	-	-	2,107	
Miscellaneous	56	-	-	-	-	-	800	
Total revenues and other support	14,093	404,453	1,023	1,205,082	334,317	356,200	1,079	
Expenses								
Program services								
Adult habilitation		431,688	-	-	-	-	431,688	
Contract Services		-	129,593	-	-	-	129,593	
Supported living		-	-	1,089,911	-	-	1,089,911	
East Morehouse community home		-	-	-	365,645	-	365,645	
Crossett Road community home		-	-	-	-	330,862	330,862	
Total program services	15,544	431,688	129,593	1,089,911	365,645	330,862	2,347,699	
Management and general								
Total expenses before depreciation	15,544	431,688	129,593	1,089,911	365,645	330,862	15,544	
Depreciation	64,199	-	-	-	-	-	2,363,243	
Total expenses	79,743	431,688	129,593	1,089,911	365,645	330,862	64,199	
Increase (decrease) in net assets	(65,650)	(27,235)	17,850	115,171	(31,328)	5,338	2,427,442	
Other sources (uses)								
Operating transfers in	65,343	(37,115)	-	2	4,993	-	70,338	
Operating transfers out	(307)	(37,115)	-	(2,753)	(24,385)	(6,085)	(70,338)	
Total Other Sources	369,157	(64,350)	17,850	112,420	(50,720)	(747)	14,146	
Increase (decrease) in net assets	368,850	295,815	60,496	217,195	16,205	(26,694)	916,994	
Net assets at beginning of year							931,140	
NET ASSETS AT END OF YEAR								

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*



Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Atteberry, CPA

John L. Luffey, MBA, CPA (1963-2002)

**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
The ARC of Morehouse
Bastrop, Louisiana**

We have audited the financial statements of The ARC of Morehouse (a nonprofit organization - the Association) as of and for the years ended June 30, 2006 and 2005 and have issued our report thereon dated October 23, 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, and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide 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 error 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 and Other Matters

As part of obtaining reasonable assurance about whether the Association'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

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**Board of Directors
The ARC of Morehouse**

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*.

We noted certain matters that we reported to management of The ARC of Morehouse in a separate letter dated October 23, 2006.

This report is intended solely for the information and use of management of the Association, its oversight agency, other entities granting funds to the Association and the Legislative Auditor for the state of Louisiana and is not intended to be used and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



(A Professional Accounting Corporation)

October 23, 2006

**The ARC of Morehouse
Status of Prior Year Findings
June 30, 2006**

The following is a summary of the status of findings in the Schedule of Findings and Questioned Costs issued in connection with the examination of the financial statements of the ARC of Morehouse as of June 30, 2005.

There were no audit findings for the year ended June 30, 2005.

There was one management letter comment for the year ended June 30, 2005 related to payroll.

Comment:

It was noted that several employee personnel files were not up to date in the areas of pay rate authorization and withholding documentation.

Status:

Improvement has been made in this area but additional work is still needed.



Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Atteberry, CPA

John L. Luffey, MBA, CPA (1963-2002)

MANAGEMENT LETTER

**Board of Directors
ARC of Morehouse
10650 Lucy Hudson Drive
Bastrop, Louisiana 71220**

In planning and performing our audit of the financial statements of the ARC of Morehouse (a nonprofit organization – the Association) for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted a certain matter involving internal control and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Association's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Payroll -

As in prior years, we noted during our test of the payroll policies that the Association's personnel records had some deficiencies. Of the sixty payroll items tested, two of the hourly rates paid to the employees did not agree with the pay rate authorized in the personnel records. In checking further, it was determined these two employees' files were not up to date and the pay they received was accurate. Without proper authorization of the wage rate in the personnel file an employee could be paid the wrong hourly wage rate. We also noted that five additional personnel files did not contain any W-4's or L-4's. The Association could be deducting Federal and State tax in amounts not authorized by the employee because the proper deduction information is not maintained in their personnel file.

While improvement has been noted, we recommend that the Human Resources department of the Association review all employee files to insure that there is proper authorization for the hourly rate being paid and also, that a current W-4 and L-4 is included to insure that the proper amounts of withholding authorized by the employee is being deducted.

**ARC of Morehouse
Management Letter**

Management's Response:

The Arc of Morehouse obtains W-4's and L-4's for all employees as part of the new employee hiring process. However, the Arc will implement measures to periodically audit personnel files to insure that all salary and wage information is current, accurate, and present in each employee file.

This report is intended solely for the information and use of management of the Association, its oversight agency, other entities granting funds to the Association and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

Ruffey Hoffman & Assoc

(A Professional Accounting Corporation)

October 23, 2006