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THE ARC OF NORTH WEBSTER

SAREPTA, LOUISIANA

AUDIT REPORT

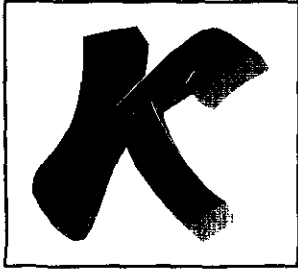
June 30, 2005

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 1 / 18 / 06

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Roland D. Kraushaar
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The ARC of North Webster
Sarepta, Louisiana

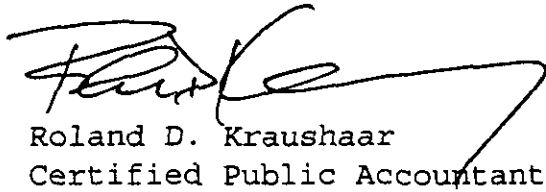
I have audited the accompanying financial statements of the ARC of North Webster (a nonprofit organization) as of and for the years ended June 30, 2005 and 2004 as listed in the foregoing table of contents. These financial statements are the responsibility of the ARC's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the ARC of North Webster as of June 30, 2005 and 2004, and the

results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated November 30, 2005, on my consideration of the ARC's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.



Roland D. Kraushaar
Certified Public Accountant

November 30, 2005

THE ARC OF NORTH WEBSTER

Statements of Financial Position June 30, 2005 and 2004

Assets			
Current Assets		2005	2004
Cash and cash equivalents		\$ 80,170	\$ 39,792
Accounts recivabale-net		49,177	73,718
Accrued interest		2	2
Inventory		2,297	2,083
Total Current Assets		\$ 131,646	\$ 115,595
Investments		\$ 1,118	\$ 1,118
Property, Plant & Equipment			
Land		\$ 5,000	\$ 5,000
Buildings & renovations		167,103	167,103
Furniture, fixtures & equipment		179,568	160,495
Automotive equipment		111,716	167,210
Total Property, Plant & Equipment		\$ 463,387	\$ 499,808
Accumulated depreciation		(335,542)	(344,472)
Total Property, Plant & Equipment-Net		\$ 127,845	\$ 155,336
Other Assets			
Utility deposits		\$ 699	\$ 699
Total Assets		\$ 261,308	\$ 272,748
Liabilities and Net Assets			
Current Liabilities			
Accounts payable		\$ 6,283	\$ 3,543
Accrued and withheld taxes and exepenses		580	1,923
Total Current Liabilities		\$ 6,863	\$ 5,466
Net Assets			
Unrestricted		254,445	267,282
Total Unrestricted Net Assets		\$ 254,445	\$ 267,282
Total Liabilities and Net Assets		\$ 261,308	\$ 272,748

See accompanying notes to financial statements

THE ARC OF NORTH WEBSTER

Statement of Activities June 30, 2005 and 2004

	2005	2004
Public Support		
Grants from federal agencies	\$ 276,064	\$ 234,512
Grants from state agencies	162,181	231,319
Contributions	320	2,332
Special events	-	4,440
United Way	8,437	7,406
Total Public Support	<u>\$ 447,002</u>	<u>\$ 480,009</u>
Revenues		
Program related revenues		
Work center sales		
Gross revenues	\$ 152,156	\$ 159,832
Direct costs	(97,678)	(95,573)
Work center sales-net	<u>\$ 54,478</u>	<u>\$ 64,259</u>
Revenue from support homes		
Bell Oakes	\$ 15,960	\$ 34,057
Brighter Tomorrows	11,046	8,540
Evergreen	70,800	75,640
Delhi Community Group	16,185	16,710
Total revenues from support homes	<u>\$ 113,991</u>	<u>\$ 134,947</u>
Other revenues		
Gain(Loss) on Sale of Assets	\$ (10,299)	\$ 1,600
Interest & dividends	561	325
Member dues	480	540
Miscellaneous income	3,322	8,031
Total other revenues	<u>(5,936)</u>	<u>10,496</u>
Total revenues	<u>\$ 162,533</u>	<u>\$ 209,702</u>
Total public support & reveues	<u>\$ 609,535</u>	<u>\$ 689,711</u>
Expenses		
Program services	\$ 551,070	\$ 589,005
Supporting services		
Management & general	71,302	60,649
Total supporting services	<u>\$ 71,302</u>	<u>\$ 60,649</u>
Total expenses	<u>\$ 622,372</u>	<u>\$ 649,654</u>
Increase(Decrease) in net assets	\$ (12,837)	\$ 40,057
Net assets at beginning of year	267,282	227,225
Net assets at end of year	<u>\$ 254,445</u>	<u>\$ 267,282</u>

See accompanying notes to financial statements

THE ARC OF NORTH WEBSTER

Statement of Functional Activities

June 30, 2005

	Program Service	Management & General	Total 2005	Total 2004
Salaries and related expenses				
Salaries	\$ 409,717	\$ -	\$ 409,717	\$ 430,315
Payroll taxes	35,372	-	35,372	29,853
Insurance	30,597	-	30,597	51,461
Total salaries and related expenses	\$ 475,686	\$ -	\$ 475,686	\$ 511,629
Operating expenses				
Advertising	\$ -	\$ 1,391	\$ 1,391	\$ 2,191
Automotive expenses	11,792	-	11,792	21,531
Banquet expenses	-	-	-	2,065
Contract labor	-	4,383	4,383	3,457
Dues and subscriptions	-	1,844	1,844	1,578
Equipment rental	160	-	160	48
Fundraiser-dinner	79	-	79	1,193
Insurance	24,367	-	24,367	13,900
Interest expense	-	-	-	9
Janitorial expense	-	3,578	3,578	3,778
Legal and professional	-	17,221	17,221	10,710
License and permits	732	-	732	1,060
Meals and entertainment	-	2,020	2,020	43
Medical expenses	1,363	-	1,363	1,145
Miscellaneous	-	1,196	1,196	2,793
Office expenses	-	10,400	10,400	5,594
Repairs and maintenance	-	3,628	3,628	6,021
Supplies	6,152	-	6,152	5,335
Taxes-other	-	-	-	301
Telephone	-	7,694	7,694	6,207
Training	1,154	-	-	-
Travel, conventions and seminars	-	1,246	1,246	343
Travel and other expense-PCA and Respite	-	-	-	2,082
Utilities	-	16,701	16,701	14,793
Total expenses before depreciation	\$ 45,799	\$ 71,302	\$ 115,947	\$ 106,177
Depreciation	\$ 29,585	\$ -	\$ 29,585	\$ 31,848
Total expenses	\$ 551,070	\$ 71,302	\$ 621,218	\$ 649,654

See accompanying notes to financial statements

THE ARC OF NORTH WEBSTER

Statement of Cash Flows June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (12,837)	\$ 40,057
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	\$ 29,585	\$ 31,848
(Gain) loss on sale of assets	10,299	(1,600)
(Increase) decrease in accounts receivable	24,541	2,810
(Increase) decrease in accrued interest	-	1
(Increase) decrease in inventories	(214)	(388)
Increase (decrease) in accounts payable	2,740	(8,315)
Increase (decrease) in accrued liabilities	(1,343)	(5,372)
Total adjustments	\$ 65,608	\$ 18,984
Net cash provided (used) by operating activities	\$ 52,771	\$ 59,041
Cash flows from investing activities		
Cash payymnts for purchase of property	\$ (19,074)	\$ (78,825)
Cash proceeds from sale of property	6,681	1,600
Net cash provided (sed) by investing activities	\$ (12,393)	\$ (77,225)
Net increase (decrease) in cash and cash equivalents	\$ 40,378	\$ (18,184)
Cash and equivalents, beginning of year	39,792	57,976
Cash and equivalents, end of year	<u>\$ 80,170</u>	<u>\$ 39,792</u>

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

THE ARC OF NORTH WEBSTER

June 30, 2005 and 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies followed by The ARC of North Webster are described in summary form below:

Basis of Accounting - The financial statements of The ARC of North Webster have been prepared on the accrual basis. The financial statements are presented in accordance with Statement of Financial Accounting Standards No. 117, Financial Statements for Not-for-Profit Organizations, which requires the ARC to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted assets, and permanently restricted net assets.

Activities and Organization - The ARC of North Webster was organized for the purpose of training and improving the quality of life of citizens with developmental disabilities. The ARC of North Webster was originally incorporated as the Springhill Association of Retarded Children. On February 23, 1994, the name was changed by formal change of the articles of incorporation to The ARC of North Webster.

The ARC of North Webster has been determined by the Internal Revenue Service under the name Springhill Association of Retarded Citizens to be tax-exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Cash - The ARC considers cash in operating bank accounts, cash on hand, and other highly liquid debt instruments to be cash and cash equivalents.

Investments - Investment-stock consists of 60 shares of IBM stock at June 30, 2005 and 2004, consisting of 15 shares of stock, which was donated to the ARC and subsequently split two-for-one on two separate occasions. The stock was recorded at its estimated fair market value at the date of donation.

Uncollectible Accounts - Management has established an allowance for doubtful accounts to record the estimated amount of accounts, which will be uncollectible at the end of each year.

NOTES TO FINANCIAL STATEMENTS

THE ARC OF NORTH WEBSTER

June 30, 2005 and 2004

(Continued)

Property, Plant and Equipment - Property, plant and equipment are recorded at cost when purchased and at fair market value when donated to the organization. Depreciation is recorded on the straight-line method using estimated useful lives as follows:

Furniture, fixtures and equipment.....	5-10 years
Automobiles.....	5 years
Buildings and improvements.....	10-20 years

Donations - Donated materials are recorded in financial statements at their fair values at the date of receipt. In accordance with SFAS No. 116, no amounts have been reflected in the statements in as much as no objective basis is available to measure the value of such services; however, a number of volunteers have donated their time to assist in the operations and improvements of the ARC.

Contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those assets must be maintained the ARC reports expiration of donor restrictions when the acquired assets are placed in services as instructed by the donor. The ARC reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Contributions received for operations are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. 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.

For purposes of the statement of cash flows, the ARC considers all highly liquid debt instruments to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS

THE ARC OF NORTH WEBSTER

June 30, 2005 and 2004

(Continued)

NOTE 2 - CASH AND CASH EQUIVALENTS:

	<u>2005</u>	<u>2004</u>
Cash is summarized as follows:		
Petty Cash	\$ 672	\$ 400
Cash on hand	871	374
Cash in checking accounts	7590	4,870
Cash in interest-bearing accounts	<u>71037</u>	<u>34,148</u>
Total	<u>\$ 80,170</u>	<u>\$ 39,792</u>

At June 30, 2005 and 2004, the carrying amounts of the ARC's deposits total \$78,627 and \$39,018 respectively and the bank balances total \$86,861 and \$66,345. At June 30, 2005 and 2004, all deposits are secured by FDIC insurance.

NOTE 3 - ACCOUNTS RECEIVABLE:

	<u>2005</u>	<u>2004</u>
Accounts receivable are summarized as follows:		
Accounts receivable-customers-net	\$ 7,426	\$ 14,700
Due from federal/state agencies-net	33,674	48,238
Due from sponsoring homes	<u>8,077</u>	<u>10,780</u>
Total	<u>\$ 49,177</u>	<u>\$ 73,718</u>

Accounts receivable - customers are reported net of allowances for doubtful accounts at June 30, 2005 and 2004, in the amounts of \$-0- and \$651 respectively. Also, due from federal agencies is reported net of an allowance for doubtful accounts in the amount of \$-0- and \$1,304 at June 30, 2005 and 2004 respectively.

NOTE 4 - INVESTMENT-STOCK:

The estimated fair value of the 60 shares of IBM stock is \$4,452 at June 30, 2005 and \$5,289 for the 60 shares at June 30, 2004.

NOTES TO FINANCIAL STATEMENTS

THE ARC OF NORTH WEBSTER

June 30, 2005 and 2004

(Continued)

NOTE 5 - INVENTORIES:

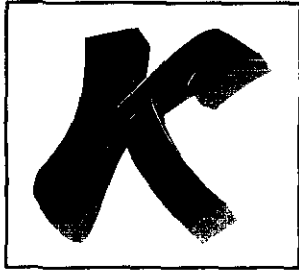
Inventories consist of oil, tires and miscellaneous items on hand at the service station, and candles, balloons and other miscellaneous items on hand at the bakeshop at June 30, 2005 and 2004, valued at cost on the first-in, first-out method.

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT:

	<u>2005</u>	<u>2004</u>
Property, plant and equipment consist of the following:		
Land	\$ 5,000	\$ 5,000
Buildings and renovations	167,103	167,103
Furniture, fixtures and equipment	179,568	160,495
Automotive equipment	<u>111,716</u>	<u>167,210</u>
Total property, plant and equipment	\$463,387	\$452,913
Less: accumulated depreciation	<u>335,542</u>	<u>344,472</u>
Property, plant and equipment-net	<u>\$127,845</u>	<u>\$108,359</u>

NOTE 7 - COMPENSATED ABSENCES:

No accrual has been recorded for compensated absences. Vacations are required to be taken during two weeks that The ARC of North Webster is closed during the year. Sick pay accumulates at the rate of one day per month to a maximum of 20 days, but is forfeited upon termination.



Roland D. Kraushaar

Certified Public Accountant

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

To the Board of Directors
The ARC of North Webster
Sarepta, Louisiana

I have audited the financial statements of The ARC of North Webster (a nonprofit organization) as of and for the years ended June 30, 2005 and 2004, and have issued my report thereon dated November 30, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

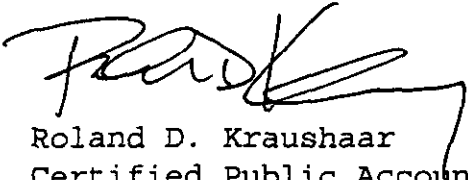
As part of obtaining reasonable assurance about whether the ARC's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amount. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered The ARC of North Webster's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily

disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the Board of Directors, Management and Grantor Agencies. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read 'RDK', with a long horizontal flourish extending to the right.

Roland D. Kraushaar
Certified Public Accountant

November 30, 2005

THE ARC OF NORTH WEBSTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2005

SECTION I - SUMMARY OF AUDITOR'S REPORTS

No Matters were reported.

SECTION II - FINANCIAL STATEMENT FINDINGS

No Matters were reported.

SECTION II - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No Matters were reported.

THE ARC OF NORTH WEBSTER

**Summary Schedule of Prior Year Findings and Questioned Costs
June 30, 2005**

There were two findings for the prior audit period ended June 30, 2004, as follows:

2004-1 Finding: Financial records removed from premises.

Current Status: While the Board has not yet formally revised its policies and procedures manuals, the practice of removing financial records has been stopped.

2004-2 Finding: Sale of Surplus assets.

Current Status: The revised policies and procedures manuals require that assets to be disposed of be declared surplus and that bids be taken before the sale.